

RESOLUTION NO. 06-271

**A RESOLUTION APPROVING AN ECONOMIC
INCENTIVE CONTRACT BETWEEN PANELIZED
SYSTEMS TECHNOLOGY, LLC AND THE CITY OF
PORT ARTHUR SECTION 4A ECONOMIC
DEVELOPMENT CORPORATION**

WHEREAS, the Board of Directors of the City of Port Arthur Section 4A Economic Development Corporation has approved an incentive agreement to be entered into with Panelized Systems Technology, L.L.C.; and

WHEREAS, an executive summary has been provided by Germer Gertz as noted in Exhibit "A", which delineates (1) the major terms of the agreement (2) that they have approved this project as being an eligible project under Section 4A Article 5190.6 VTCA, and (3) that they approve the agreement as to form; and

WHEREAS, pursuant to Section 8.19 of the bylaws, the City of Port Arthur Section 4A Economic Development Corporation is submitting this project for approval.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF PORT ARTHUR:

Section 1. That the facts and opinions in the preamble are true and correct.

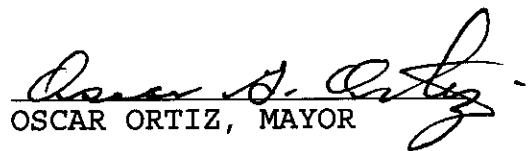
Section 2. That the City of Port Arthur herein approves the incentive agreement and herein authorizes the President and Secretary of the City of Port Arthur Section 4A Economic Development Corporation to execute the agreement in substantially the same form as attached hereto as Exhibit "B".

Section 3. That a copy of the caption of the Resolution be spread upon the Minutes of the City Council.

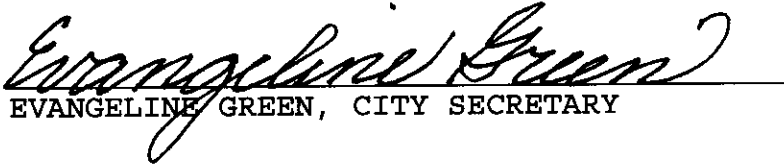
READ, ADOPTED AND APPROVED on this 18th day of July, A.D. 2006, at a Meeting of the City Council of the City of Port Arthur, Texas by the following vote: AYES:

Mayor City; Mayor Pro Tem Pence;
Councilmembers: Lewis, Barker, Henderson,
Hood, Williamson and Vinogal.

NOES: None.

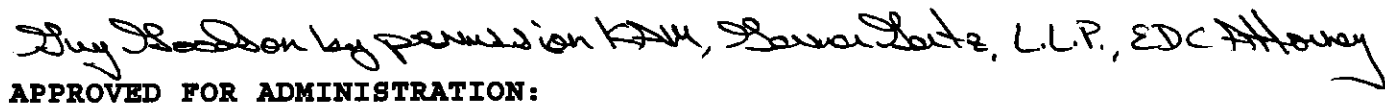

OSCAR ORTIZ, MAYOR

ATTEST:


EVANGELINE GREEN, CITY SECRETARY

APPROVED AS TO FORM:


MARK T. SOKOLOW, CITY ATTORNEY


APPROVED FOR ADMINISTRATION:


STEPHEN FITZGIBBONS, CITY MANAGER

APPROVED AS TO THE AVAILABILITY OF FUNDS:

REBECCA UNDERHILL, DIRECTOR OF FINANCE

APPROVED FOR SECTION 4A ECONOMIC DEVELOPMENT CORPORATION:

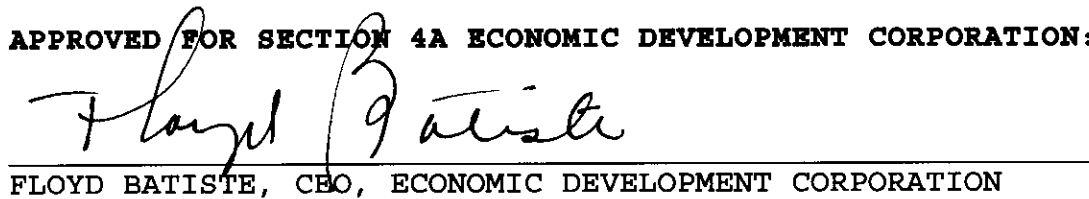

FLOYD BATISTE, CEO, ECONOMIC DEVELOPMENT CORPORATION

EXHIBIT "A"

July 13, 2006

Mr. Floyd Batiste
c/o Jana Barnes
Port Arthur EDC
P.O. Box 3934
Port Arthur, Texas 77642

*Re: Panelized Systems Technology, LLC; GG File #69685
Contract for submission to City Council if approved.*

Dear Mr. Batiste:

Attached are the draft (1) Executive Summary and (2) Economic Incentive Contract and Loan Agreement between the City of Port Arthur Section 4A Economic Development Corporation ("PAEDC") and Panelized Systems Technology, LLC ("PST"), approved by the PAEDC for presentation to the City Council.

The contract has been approved by Germer Gertz, L.L.P. as to legality and the project is an eligible Section 4A project.

Sincerely,

GERMER GERTZ, L.L.P.

By:


Kathleen A. McGlynn

KAM/lr

cc: EDC Board of Directors c/o Jana Barnes
Guy N. Goodson (*in the firm*)

**ECONOMIC INCENTIVE CONTRACT & LOAN AGREEMENT BETWEEN
THE CITY OF PORT ARTHUR SECTION 4A ECONOMIC DEVELOPMENT
CORPORATION**

&

PANELIZED SYSTEMS TECHNOLOGY, L.L.C.

Executive Summary

Panelized Systems Technology, L.L.C. ("PST") is a joint venture by JARES Building Technology, L.L.C. and Contact Investment, L.L.C., for the purpose of manufacturing composite building panels in Port Arthur, Texas. These building panels are resistant to wind and water damage from severe storms and hurricanes, and, thus, are well suited for construction along the Gulf Coast. The majority of the building product will be sold to locations outside Port Arthur, Texas, infusing new dollars into Port Arthur's economy.

The City of Port Arthur Section 4A Economic Development Corporation ("PAEDC") will assist PST in this manufacturing endeavor, which has an initial capitalization of \$850,000.

After PST purchases the property for its manufacturing site and invests \$200,000 to improve the site, the PAEDC will (1) purchase up to \$300,000 of manufacturing equipment and lease it to PST for \$1.00 per year for ten (10) years; (2) loan PST \$300,000, at a fixed interest rate of six percent (6%) for a term of fifteen (15) years, said loan funds to be used exclusively for other capital investment; and (3) conditionally grant PST \$25,000, said granted funds to be used exclusively for other capital investment. The loan will be secured by a second priority deed of trust on the manufacturing site property and the conditional grant will be secured by all of PST's accounts, inventory, general intangibles and equipment. The first priority deed of trust on the property will not exceed \$500,000.

In return for the nominal cost lease, the loan and the grant, PST agrees, within twelve (12) months, to hire thirty-five (35) full time, permanent employees at an average wage of \$10.00 per hour, for an annual payroll of \$728,000. Further, PST agrees that at least fifty percent (50%) of PST's employees will be Port Arthur residents. Finally, PST agrees to pay all of PAEDC's attorney fees and expenses incurred for any modification of or amendment to this Agreement, including any legal documents supporting the Agreement.

If PST breaches this Agreement and fails to cure said breach within thirty (30) days then the equipment lease automatically expires, giving PAEDC the immediate right of possession. Additionally, the conditional grant will become a three-year (3-year) loan at ten-percent (10%) interest.

Both JARES Building Technology, L.L.C. and Contact Investment, L.L.C. will guaranty PST's performance.

PST will send PAEDC brief status reports, quarterly through calendar year 2007 and twice per year thereafter.

EXHIBIT "B"

**ECONOMIC INCENTIVE & LOAN AGREEMENT BETWEEN
THE CITY OF PORT ARTHUR SECTION 4A
ECONOMIC DEVELOPMENT CORPORATION**

AND

PANELIZED SYSTEMS TECHNOLOGY, L.L.C.

INTRODUCTION	- 1 -
AGREEMENT DATES	- 1 -
PARTIES	- 1 -
CONDITIONS PRECEDENT	- 2 -
PROMISED PERFORMANCE	- 2 -
(A) PERFORMANCE BY PAEDC	- 2 -
(B) PERFORMANCE BY PST	- 3 -
PST'S PERFORMANCE MILESTONE SCHEDULE	- 4 -
PAEDC'S CONDITIONAL OBLIGATIONS AND LIMITED LIABILITY	- 7 -
LIQUIDATED DAMAGES FOR BREACH OF AGREEMENT BY PST	- 7 -
RECORDS / INSPECTION / PAEDC AUDIT	- 8 -
HOLD HARMLESS	- 9 -
SUBCONTRACTS	- 9 -
CONFLICT OF INTEREST / DISCLOSURE OBLIGATION	- 10 -
NONDISCRIMINATION / EMPLOYMENT / REPORTING	- 10 -
LEGAL AUTHORITY	- 11 -
NOTICE OF LEGAL OR REGULATORY CLAIMS AGAINST PST	- 11 -
CHANGES AND AMENDMENTS	- 11 -
DEFAULT / TERMINATION	- 12 -
PST AUDITS	- 12 -
ENVIRONMENTAL CLEARANCE REQUIREMENTS	- 13 -
ORAL AND WRITTEN AGREEMENTS / PRIOR AGREEMENTS	- 14 -
VENUE	- 14 -
ADDRESS OF NOTICE AND COMMUNICATIONS	- 14 -
CAPTIONS	- 15 -
COMPLIANCE WITH FEDERAL, STATE AND LOCAL LAWS	- 15 -
ATTORNEY APPROVALS	- 15 -
AGREEMENT EXECUTION	- 16 -
Exhibit "A1" Commercial Promissory Note for Loan	
Exhibit "A2" Deed of Trust	
Exhibit "B1" Conditional Commercial Promissory Note for Grant	
Exhibit "B2" Commercial Security Agreement	
Exhibit "B3" UCC1 Financing Statement	
Exhibit "C" Manufacturing Equipment List	
Exhibit "D" Manufacturing Equipment Lease	
Exhibit "E" Certification Regarding Lobbying	
Exhibit "F1" JARES Building Technology, L.L.C. Guaranty Agreement	
Exhibit "F2" Contact Investment, L.L.C. Guaranty Agreement	

**ECONOMIC INCENTIVE CONTRACT & LOAN AGREEMENT
BETWEEN**

**THE CITY OF PORT ARTHUR SECTION 4A
ECONOMIC DEVELOPMENT CORPORATION
AND**

PANELIZED SYSTEMS TECHNOLOGY, L.L.C.

INTRODUCTION

Panelized Systems Technology, L.L.C. ("PST") is a joint venture by JARES Building Technology, L.L.C. and Contact Investment, L.L.C., for the purpose of manufacturing composite building panels in Port Arthur, Texas. These building panels are resistant to wind and water damage from severe storms and hurricanes, and, thus, are well suited for construction along the Gulf Coast. The majority of the building product will be sold to locations outside Port Arthur, Texas, infusing new dollars into Port Arthur's economy.

AGREEMENT DATES

AGREEMENT START DATE

1. This Economic Incentive Contract and Loan Agreement ("Agreement") is entered into with an effective date of _____, 2006, but in no case later than December 31, 2006, by and between the PAEDC and PST.

AGREEMENT END DATE

2. This Agreement expires the earlier of October 31, 2021, or 30 days after PST either performs fully or breaches the Agreement, subject to earlier termination or extension, voluntary or involuntary, as provided herein. The period from the effective date of this Agreement through and including the expiration date of this Agreement as provided in the previous sentence hereof, is sometimes referred to in this Agreement as the "Term" of this Agreement.

PARTIES

3. City of Port Arthur Section 4A Economic Development Corporation ("PAEDC"), located at 4173-39th Street, Port Arthur, Texas, 77642, is a not-for-profit corporation. It is duly authorized to do business in the State of Texas under Section 4A, Article 5190.6 V.T.C.A. (the Development Corporation Act of 1979) and duly authorized by Resolution of the City Council of the City of Port Arthur to enter into this Agreement. So authorized and as provided by the PAEDC bylaws, the President and Secretary of the PAEDC Board have the authority to execute this Agreement.

4. Panelized Systems Technology, L.L.C. ("PST") is a Texas limited liability company. The registered agent in Texas is _____ at _____. Sharron Kelly, its President, has the authority to execute this Agreement.

CONDITIONS PRECEDENT

5. This Agreement has no legal consequences, and neither party shall rely on the Agreement, unless and until

- a. Both the PAEDC Board and the Port Arthur City Council approve the Agreement in the form executed.
- b. PST acquires and takes title to a suitable manufacturing site.
- c. PST invests \$200,000 in the manufacturing site.
- d. PST provides a list of equipment for Exhibit "C" of this Agreement, to be purchased by PAEDC and leased to PST in accordance with the lease in Exhibit "D".
- e. PST arranges for both JARES Building Technology, L.L.C. and Contact Investment, L.L.C. to provide the PAEDC Staff with financial statements showing, to PAEDC Staff's satisfaction, that both guarantors have sufficient assets to cover PST's obligations under the Contract.
- f. PST provides signed guaranties from both JARES Building Technology, L.L.C. and Contact Investment, L.L.C. using the forms provided in Exhibits "F1" and "F2" respectively.

PROMISED PERFORMANCE

6. The parties agree to perform as follows.

(a) PERFORMANCE BY PAEDC

- (1) PAEDC shall loan PST the amount of \$300,000 for capital investment, according to the terms of the Commercial Promissory Note contained in Exhibit "A1", with material terms being six percent (6%) interest¹ over fifteen (15) years, secured with the Deed of Trust on the manufacturing site in the form provided in Exhibit "A2".
- (2) PAEDC shall conditionally grant PST the amount of \$25,000 for additional capital investment, said grant automatically converting to a loan should PST breach this contract. The loan's material terms are ten-percent (10%) over three (3) years, as provided in Exhibit "B1", secured with the Commercial Security Agreement in Exhibit "B2" and perfected by filing the Financing Statement (UCC Form 1) in Exhibit "B3".
- (3) PAEDC shall purchase the equipment listed in Exhibit "C", up to \$300,000, and shall lease the equipment to PST for a term of ten (10) years and a lease payment of one dollar (\$1.00) per year, according to the terms of the lease contained in Exhibit "D".

These are PAEDC's only obligations.

¹ This is two percent below the prime rate on June 15, 2006.

(b) PERFORMANCE BY PST

- (1) Within twelve (12) months after signing this Agreement, PST agrees to employ thirty-five (35) employees at an annual total payroll of \$728,000² and will sustain at least that level of employment through the term of the Equipment Lease.
- (2) PST promises that at least fifty percent (50%) of its employees will be Port Arthur residents.
- (3) PST shall use the loan and grant monies provided by the PAEDC exclusively for capital assets, including working capital and licenses, which are not materially different³ from those described in PST's application to PAEDC.
- (4) PST shall order manufacturing equipment on behalf of PAEDC, negotiate repurchase provisions that are approved by PAEDC Staff, and comply with all the provisions of the Manufacturing Equipment Lease in Exhibit "D", including its recordkeeping requirements.
- (5) PST shall make payments on the PAEDC loan according to the terms of the Commercial Promissory Note in Exhibit "A1".
- (6) PST agrees to pay PAEDC's attorney fees and expenses incurred for any modification of or amendment to this Agreement, including any legal documents supporting the Agreement. PST will pay PAEDC, based on invoices to PAEDC, under the file number 69685. **This payment in no way implies that PAEDC's attorney is working for the best interests of any person other than PAEDC.** PST must consult its own attorney.
- (7) As further consideration for PAEDC's grant, loan and equipment lease, prior to selling the manufacturing site to a third party, PST shall give PAEDC the first right of refusal and the option to purchase the property according to terms mutually agreeable to both PST and PAEDC.
- (8) On demand by PAEDC and in response to PST's failure to achieve a performance milestone, PST shall provide PAEDC with reasonable assurances, proposed by PST and reasonably acceptable to PAEDC, indicating that it has both the intention and the capabilities to perform fully its contractual obligations.

² Payroll is based on 2080 hours per year and a starting wage of \$10.00 per hour, per PST's application.

³ "Materially different" is defined as a change in the type of asset that changes the overall business plan provided in PST's application to PAEDC.

PST'S PERFORMANCE MILESTONE SCHEDULE

7. Although failure to achieve a performance milestone is not a breach of contract, a failure is grounds for PAEDC to withhold further payments to PST and/or demand reasonable assurances⁴ from PST that it can and will fully perform its contractual obligations. Failure to provide such reasonable assurances following demand by PAEDC is a breach by contract.

8. PST's performance milestones are contained in the table on the following page. If, due to no fault of PST, the purchase of a manufacturing site is delayed then the milestone deadlines, other than status reporting, will be advanced accordingly. Such extension of deadlines will be by written agreement, signed by both parties and will not require City Council approval.

⁴ Examples of reasonable assurances are copies of pending contracts and customer commitment letters.

PST'S PERFORMANCE MILESTONE SCHEDULE

	<u>Deadline</u>	<u>Milestone</u>
(a)	August 1, 2006	Purchase property for use as the manufacturing site.
(b)	Sept. 30, 2006	Make \$200,000 real property improvements to the manufacturing site.
(c)	Oct. 1, 2006	Order the manufacturing equipment in Exhibit "C", to include a repurchase agreement approved by the PAEDC.
(d)	Oct. 31, 2006	Issue a <u>status report</u> ⁵ to PAEDC's Chief Executive Officer ("CEO") for the period from the application date to September 30, 2006.
(e)	Feb. 28, 2007	<u>Status report</u> ⁶ for January 1, 2006 to December 31, 2006.
(f)	Mar. 1, 2007	Install and start up manufacturing equipment in Exhibit "C".
(g)	Apr. 30, 2007	<u>Status report</u> for January 1, 2007 to March 31, 2007.
(h)	July 31, 2007	<u>Status report</u> for April 1, 2007 to June 30, 2007.
(i)	Aug. 1, 2007	Achieve employment performance of 35 full-time, permanent employees; Annualized payroll of \$728,000.
(j)	Oct. 31, 2007	<u>Status report</u> for July 1, 2007 to September 30, 2007.
(k)	Feb. 29, 2008	<u>Status report</u> for January 1, 2007 to December 31, 2007.
(l)	July 31, 2008	<u>Status report</u> for January 1, 2008 to June 30, 2008.
(m)	Feb. 28, 2009	<u>Status report</u> for January 1, 2008 to December 31, 2008.
(n)	July 31, 2009	<u>Status report</u> for January 1, 2009 to June 30, 2009.
(o)	Feb. 28, 2010	<u>Status report</u> for January 1, 2009 to December 31, 2009.
(p)	July 31, 2010	<u>Status report</u> for January 1, 2010 to June 30, 2010.
(q)	Feb. 28, 2011	<u>Status report</u> for January 1, 2010 to December 31, 2010.
(r)	July 31, 2011	<u>Status report</u> for January 1, 2011 to June 30, 2011.
(s)	Feb. 29, 2012	<u>Status report</u> for January 1, 2011 to December 31, 2011.

⁵ Status reports shall include copies of invoices and check payments for assets purchased with PAEDC funds during the reporting period, quarterly balance sheets, quarterly profit and loss statements, and employee reports. As to job creation performance, interim status reports shall include documentation substantiating the accuracy of such reports, including, for example, 941 payment reports, Texas Workforce Commission reports, or other such reports confirming total jobs, payroll and other relevant information. Driver's license information is appropriate for interim reporting of Port Arthur residents hired. In all cases, the reporting objective is to include documentation necessary for PAEDC to verify said report without further outside inquiry.

⁶ End of February status reports shall also include identity of all shareholders who own more than five percent (5%) of the company. In addition, these year end reports shall be substantiated with IRS Forms W-2 and W-3.

(t)	July 31, 2012	<u>Status report</u> for January 1, 2012 to June 30, 2012.
(u)	Feb 28, 2013	<u>Status report</u> for January 1, 2012 to December 31, 2012.
(v)	July 31, 2013	<u>Status report</u> for January 1, 2013 to June 30, 2013.
(w)	Feb 28, 2014	<u>Status report</u> for January 1, 2013 to December 31, 2013.
(x)	July 31, 2014	<u>Status report</u> for January 1, 2014 to June 30, 2014.
(y)	Feb 28, 2015	<u>Status report</u> for January 1, 2014 to December 31, 2014.
(z)	July 31, 2015	<u>Status report</u> for January 1, 2015 to June 30, 2015.
(aa)	Feb 28, 2016	<u>Status report</u> for January 1, 2015 to December 31, 2015.
(bb)	June 30, 2006	Negotiate and agree on the terms for renewing the equipment lease.
(cc)	July 31, 2016	<u>Status report</u> for January 1, 2016 to June 30, 2016.
(dd)	Feb 28, 2017	<u>Status report</u> for January 1, 2016 to December 31, 2016.
(ee)	July 31, 2017	<u>Status report</u> for January 1, 2017 to June 30, 2017.
(ff)	Feb 28, 2018	<u>Status report</u> for January 1, 2017 to December 31, 2017.
(gg)	July 31, 2018	<u>Status report</u> for January 1, 2018 to June 30, 2018.
(hh)	Feb 28, 2019	<u>Status report</u> for January 1, 2018 to December 31, 2018.
(ii)	July 31, 2019	<u>Status report</u> for January 1, 2019 to June 30, 2019.
(jj)	Feb 28, 2020	<u>Status report</u> for January 1, 2019 to December 31, 2019.
(kk)	July 31, 2020	<u>Status report</u> for January 1, 2020 to June 30, 2020.
(ll)	Feb 28, 2021	<u>Status report</u> for January 1, 2020 to December 31, 2020.
(mm)	July 31, 2021	<u>Status report</u> for January 1, 2021 to June 30, 2021.
(nn)	Oct. 31, 2021 or thirty (30) days after PST fully performs	<u>Close out report</u> for presentation to the PAEDC Board at its next regular meeting meeting. Full Performance includes full payment of the loan, according to the terms in Exhibit "A1". The EDC Board of directors will determine if performance is complete.

PAEDC'S CONDITIONAL OBLIGATIONS AND LIMITED LIABILITY

9. It is expressly understood and agreed by the parties hereto that the PAEDC funding obligations herein are contingent upon the actual receipt of adequate sales tax revenue funds to meet the PAEDC's liabilities under this Agreement. If adequate funds are not available to make payments under this Agreement, the PAEDC shall notify PST in writing within a reasonable time after such fact is reasonably determined by the PAEDC Board of Directors. The PAEDC, at its sole option, may then terminate this Agreement without further liability. In the event of such termination by the PAEDC, the PAEDC may, at its sole option, immediately cease all further funding, if any, required by this Agreement and the PAEDC shall not be liable to PST or to any third parties for failure to make payments to PST under the terms and conditions of this Agreement.

10. The PAEDC shall not be liable, in Contract or otherwise, to PST, or to any person or entity claiming by or through PST, for any expense, expenditure or cost incurred by or on behalf of PST related to the project made the basis of this Agreement. The PAEDC's sole liability/obligations, if any, shall be to PST and shall be limited to the conditional funding obligations detailed in this Agreement and in the real property lease executed before this Agreement became effective.

11. PST shall not use the funds herein for any purpose(s) other than that specifically disclosed herein and as further disclosed within that certain application made by or on behalf of PST, which application is incorporated herein for all purposes.

12. Funds granted by the PAEDC hereunder shall not be utilized by PST for repayment of costs, expenditures or expenses incurred prior to the date of this Agreement.

LIQUIDATED DAMAGES FOR BREACH OF AGREEMENT BY PST

13. In the event PST fails to perform its obligations under this Agreement, following notice thereof from PAEDC and thirty-day (30-day) opportunity to cure the same, the equipment lease, executed contemporaneously with this Agreement (Exhibit "D") shall be terminated and PAEDC will immediately have the right of possession and seizure of all assets under lease, along with all other remedies provided for in the equipment lease and this Agreement. Further, the PAEDC shall be entitled to recover its reasonable and customary attorney's fees, expenses and court costs incurred exercising its rights under this Agreement and the collateral documents.

14. It is expressly understood and agreed by the parties hereto that if PST fails to submit to PAEDC in a timely and satisfactory manner any report required by this Agreement, PAEDC may, at its sole discretion, withhold further payments to PST and demand assurances that PST can and will fully perform its contractual obligations. If PST fails to provide adequate assurances then PST is in breach and PAEDC may stop providing funds for the purchase of manufacturing or other capital assets. PAEDC, at its sole option, may also terminate the equipment lease. If PAEDC withholds funds or terminates the lease then it shall notify PST in writing of its decision and the reasons therefor.

It is expressly understood and agreed by the parties that any right or remedy shall not preclude the exercise of any other right or remedy under this Agreement or under any provision of law, nor shall any action taken in the exercise of any right or remedy be deemed a waiver of any other rights or remedies. Failure to exercise any right or remedy hereunder shall not constitute a waiver of the right to exercise that or any other right or remedy at any time.

RECORDS / INSPECTION / PAEDC AUDIT

15. PST must establish and maintain sufficient records, as reasonably determined by the PAEDC Staff, to account for the expenditure and utilization of loan and grant funds received by PST from PAEDC under the terms and conditions of this Agreement.

16. PST shall maintain records of the receipt and disposition of all funds provided hereunder as necessary to allow the PAEDC to audit and verify proper utilization of said funds in compliance with this Agreement and the representations and warranties contained herein and in PST's application. PST shall provide reports of utilization of said funds in status reports, as reasonably requested by the PAEDC, and upon final termination of this Agreement.

17. Upon ten (10) working day advance notice, PST shall give the PAEDC, or any of its duly authorized representatives, access to and right to examine all books, accounts, records, reports, files and other papers, things or property belonging to or in use by PST. Such rights to access shall continue as long as the records are maintained by PST. PST agrees to maintain such records in an accessible location.

18. All information obtained by the PAEDC, or its duly authorized representatives, shall be regarded as the confidential business information of PST and the PAEDC shall take reasonable measures to protect such information from disclosure to third parties; however, PAEDC is subject to the requirements of the Texas Open Meetings Act and Open Records Act (Tex.Gov.Code, 551 & 552). PST agrees that disclosures to the public required by the Texas Open Meetings Act, Texas Open Records Act, or any other legal requirement will not expose PAEDC (or any party acting by, through or under PAEDC) to any claim, liability or action by PST (or any party working by, through or under PST).

19. All records pertinent to this Agreement shall be retained by PST at least three years following the date of termination of this Agreement, whether said termination is a result of default or whether said termination is a result of final submission of a close out report by PST detailing PST's compliance with its obligations provided herein. Further, in the event any litigation, claim or audit arising out of or related to this Agreement is instituted before the expiration of the three (3) year period and extends beyond the three year period, the records will be maintained until all litigation, claims or audit findings involving this Agreement and the records made the basis of same have been resolved. Further, records relating to real property acquisition, including long-term leases, shall be retained for a period equal to the useful life of any asset purchased by PAEDC or by PST with PAEDC funds.

20. PST shall provide PAEDC with all reports necessary for PAEDC compliance with Article 5190.6 V.T.C.A. (the Texas Development Corporation Act of 1979).

21. The PAEDC reserves the right, from time to time, to carry out field inspections/audits to ensure compliance with the requirements of this Agreement. After completion of any such audit, the PAEDC may provide PST with a written report of the audit findings. If the audit report details deficiencies in PST's performance under the terms and conditions of this Agreement, the PAEDC may establish requirements for the timely correction of any such deficiencies by PST.

HOLD HARMLESS

22. PST agrees to hold harmless the PAEDC and the City of Port Arthur from any and all claims, demands, and causes of action of any kind or character which may be asserted by any third party occurring, arising out of or in any way related to this Agreement, the project made the basis of this Agreement, the equipment lease, and the utilization of funds provided by this Agreement, provided that such claim, demand or cause of action does not arise from any fraud or misconduct on the part of the PAEDC or the City of Port Arthur, or any agent, employee or representative of either.

SUBCONTRACTS

23. PST may not subcontract for contract performance or assign the equipment lease without obtaining PAEDC's prior written approval, which may be withheld for any reason. PST shall apply for subcontract or assignment by submitting a Subcontractor Eligibility Request, as specified by PAEDC staff and may not proceed with subcontract or assignment until PST has obtained PAEDC's prior written approval. PST, in subcontracting for any performances described in this Agreement, expressly understands that in entering into such subcontracts, PAEDC is in no way liable to PST's subcontractor(s).

24. In no event shall PAEDC's prior written approval of a subcontractor's eligibility, be construed as relieving PST of the responsibility for ensuring that the performances rendered under all subcontracts are rendered so as to comply with all terms of this Agreement, as if such performances rendered were rendered by PST. PAEDC's approval does not constitute adoption, ratification, or acceptance of PST's or subcontractor's performance hereunder. PAEDC maintains the right to insist upon PST's full compliance with the terms of this Agreement, and by the act of subcontractor approval, PAEDC does not waive any right of action which may exist or which may subsequently accrue to PAEDC under this Agreement.

25. PST, as well as all of its approved subcontractors, shall comply with all applicable federal, state, and local laws, regulations, and ordinances for making procurement under this Agreement.

CONFLICT OF INTEREST / DISCLOSURE OBLIGATION

26. **Conflict of Interest:** No employee, agent, officer or elected or appointed official of the City of Port Arthur or the PAEDC who has participated in a decision making process related to this Agreement (without recusing him/herself and executing a conflict affidavit) may obtain a personal or financial interest or benefit from an PAEDC assisted activity, or have an interest in any contract, subcontract, or agreement (or proceeds thereof) with respect to an PAEDC assisted activity, during their tenure or for one (1) year thereafter. Insofar as relates to the conduct hereunder of PST, its agents, employees or representatives, PST shall ensure compliance with applicable provisions under Article 5190.6 V.T.C.A. and Chapter 171 Local Government Code V.T.C.A.

27. **Disclosure:** In conjunction with execution of this Agreement, PST has fully disclosed to PAEDC all known and potential owners of interests in PST (whether stockholder, manager, member or otherwise). In the event of any change in ownership or control of PST of five percent (5 %) or greater, PST shall notify PAEDC in writing. Further, PST shall be obligated to notify in writing the PAEDC in the event any time prior to, during or one (1) year after the term of this Agreement, any City or PAEDC employee or representative or any third party with a conflict of interest obtains or proposes to obtain a financial benefit, direct or indirect, from PST. Failure to provide said notice immediately or no later than five (5) business days after receipt of information shall constitute a default herein.

NONDISCRIMINATION / EMPLOYMENT / REPORTING

28. PST shall ensure that no person shall on the grounds of race, color, religion, sex, handicap, or national origin be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity funded in whole or in part with funds provided under this Agreement. Additionally, funds shall be used in accordance with the following requirements:

- (a) To the greatest extent feasible, opportunities for training and employment arising in connection with the planning and carrying out of any project assisted with PAEDC funds provided under this Agreement be given to Port Arthur residents; and
- (b) To the greatest extent feasible, Agreements for work to be performed in connection with any such project be awarded to Port Arthur residents and businesses, including, but not limited to, individuals or firms doing business in the field of planning, consulting, design, architecture, building construction, rehabilitation, maintenance, or repair, which are located in or owned in substantial part by persons residing in the City of Port Arthur.
- (c) If PST advertises for employment then it will advertise in the Port Arthur News; however, PAEDC has no intent to restrain advertising in additional publications or media.

LEGAL AUTHORITY

29. PST assures and guarantees that PST possesses legal and/or corporate authority to enter into this Agreement, receive funds authorized by this Agreement, and to perform the services PST has obligated to perform hereunder and has provided, and will in the future provide, as requested by the PAEDC, such corporate resolutions necessary to evidence this authority.

30. The person or persons signing and executing this Agreement on behalf of PST, or representing themselves as signing and executing this Agreement on behalf of PST, do hereby warrant and guarantee that he, she, or they have been duly authorized by PST to execute this Agreement on behalf of PST and to validly and legally bind PST to all terms, performances, and provisions herein set forth.

NOTICE OF LEGAL OR REGULATORY CLAIMS AGAINST PST

31. PST shall give PAEDC immediate notice in writing of 1) any legal or regulatory action, including any proceeding before an administrative agency filed against PST, directly or indirectly; and 2) any material claim against PST, which may impact continued operations. For the purposes of this paragraph, "material" claims shall mean claims in excess of \$5,000. Except as otherwise directed by PAEDC, PST shall furnish immediately to PAEDC copies of all pertinent documentation of any kind received by PST with respect to such action or claim.

CHANGES AND AMENDMENTS

32. Except as specifically provided otherwise in this Agreement, any alterations, additions, or deletions to the terms of this Agreement shall be by amendment in writing, approved by the PAEDC Board and the City Council, and executed by all parties to this Agreement.

33. It is understood and agreed by the parties hereto that performances under this Agreement must be rendered in accordance with Article 5190.6 V.T.C.A. (the Development Corporation act of 1979), the regulations promulgated under Article 5190.6 V.T.C.A., the assurances and certifications made to PAEDC by PST, and the assurances and certifications made to the City of Port Arthur with regard to the operation of the PAEDC's Projects. Based on these considerations, and in order to ensure the legal and effective performance of this Agreement by all parties, it is agreed by the parties hereto that the performances under this Agreement are by the provisions of the PAEDC Program and any amendments thereto and may further be amended in the following manner: PAEDC may from time to time during the period of performance of this Agreement issue policy directives which serve to interpret or clarify performance requirements under this Agreement. Such policy directives shall be promulgated by the PAEDC Board of Directors in the form of PAEDC issuances, shall be approved by the City Council and shall have the effect of qualifying the terms of this Agreement and shall be binding upon PST, as if written herein.

34. Any alterations, additions, or deletions to the terms of this Agreement which are required by changes in Federal, state or local law are automatically incorporated into this Agreement without written amendment hereto, and shall become effective on the date designated by such law or regulation.

DEFAULT / TERMINATION

35. In the event of default of any of the obligations of PST detailed herein or in the event of breach of any of the representations of or warranties of PST either detailed herein or in PST's application to the PAEDC, and following any notice and opportunity to cure provided for in this Agreement, the PAEDC may, at its sole option, terminate this Agreement, in whole or in part. In the event of such termination, the PAEDC may, at its sole option, utilize one or more of the following actions to resolve or otherwise remedy said default:

- (a) Terminate the collateral equipment lease in Exhibit "D", referenced by Section 6(a)(3) of this Agreement, and take immediate possession of the leased property;
- (b) Exercise any and all other remedies that may be legally available to the PAEDC, under the laws of the State of Texas and as authorized by the terms and conditions of this Agreement and the collateral loans, lease and guaranties;
- (c) Withhold, whether temporarily or otherwise, purchase of equipment or disbursement of loan monies pending correction of the deficiency(s) by PST;
- (d) Disallow all or a part of the incentives which are not in compliance with the terms and conditions of this Agreement or in compliance with the representations and warranties contained within this Agreement and PST's application to the PAEDC; and
- (e) Withhold and/or disallow any further PAEDC incentives to PST.

36. In addition to the foregoing, the parties agree that this Agreement may be terminated at any time when both parties agree, in writing, to the terms and conditions of any such voluntary termination.

PST AUDITS

37. If directed by PAEDC Board, PST shall arrange for the performance of a compliance audit, by a certified public accountant, of funds received and performances rendered under this Agreement, subject to the following conditions and limitations:

- (a) PST shall have a compliance audit which may be limited to use of funds received from the PAEDC, made for any of its fiscal years included within the Term of this Agreement in which PST receives more than \$50,000 in PAEDC financial assistance provided by PAEDC in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, or direct

appropriations. Backup documentation regarding actual expenditures shall be provided by PST. Said audit must be received and accepted by the Chief Executive Officer of PAEDC and/or the PAEDC Board.

- (b) At the option of PST, each audit required by this section may cover either PST's entire operations or each department, agency, or establishment of PST which received, expended, or otherwise administered PAEDC funds;
- (c) Unless otherwise specifically authorized by PAEDC in writing, PST shall submit the report of such audit to PAEDC within thirty (30) days after completion of the audit, but no later than one hundred twenty (120) days after the end of each fiscal period included within the Term of this Agreement.
- (d) As a part of its audit, PST shall verify that the expenditures were exclusively for the capital assets listed in PST's application to PAEDC. Any discrepancies in excess of \$500 shall be specifically documented in writing.

38. PST understands and agrees that it shall be liable to reimburse immediately PAEDC for any costs disallowed pursuant to financial and compliance audit(s) of funds received under this Agreement and it may be required to submit formal audits at PST's expense.

39. PST shall take all necessary actions to facilitate the performance of any and all such audits, whether annual, mandatory or otherwise requested under this Agreement.

40. Subject to financial privacy requirements of PST and properly designated requests for non-disclosure due to proprietary reasons, all approved audit reports may be made available for public inspection.

41. PAEDC shall not release any funds for costs incurred by PST under this Agreement until PAEDC has received certification from PST that its fiscal control and fund accounting procedures are adequate to assure proper disbursement of and accounting for funds provided under this Agreement. PAEDC shall specify the content and form of such certification.

ENVIRONMENTAL CLEARANCE REQUIREMENTS

42. PST understands and agrees that by execution of this Agreement, PST shall be responsible for providing to PAEDC all information, concerning this PAEDC funded project, required for PAEDC to meet its responsibilities for environmental review, decision making, and other action which applies to PAEDC in accordance with and to the extent specified in Federal, State and Local Law. PST further understands and agrees that PST shall make all reasonable efforts to assist PAEDC in handling inquiries and complaints from persons and agencies seeking redress in relation to environmental reviews covered by approved certifications.

ORAL AND WRITTEN AGREEMENTS / PRIOR AGREEMENTS

43. All oral and written contracts between the parties to this Agreement relating to the subject matter of this Agreement that were made prior to the execution of this Agreement have been reduced to writing and are contained in this Agreement.

44. The documents listed below are hereby made a part of this Agreement, and constitute promised performances by PST in accordance with this Agreement:

- Exhibit "A1" Commercial Promissory Note for Loan
- Exhibit "A2" Deed of Trust
- Exhibit "B1" Conditional Commercial Promissory Note for Grant
- Exhibit "B2" Commercial Security Note
- Exhibit "B3" UCC1 Financing Statement
- Exhibit "C" Manufacturing Equipment List
- Exhibit "D" Manufacturing Equipment Lease
- Exhibit "E" Certification Regarding Lobbying
- Exhibit "F1" JARES Building Technology, L.L.C. Guaranty Agreement
- Exhibit "F2" Contact Investment, L.L.C. Guaranty Agreement
- PST's Application to PAEDC for an incentive package

VENUE

45. For purposes of litigation that may accrue under this Agreement, venue shall lie in Jefferson County, Texas, where substantially all the performance will occur.

ADDRESS OF NOTICE AND COMMUNICATIONS

City of Port Arthur Section 4A Economic Development Corporation
4173 39th Street
Port Arthur, Texas 77642
ATTN: Floyd Batiste, Chief Executive Officer

Panelized Systems Technology, L.L.C.

ATTN: _____

CAPTIONS

46. This Agreement has been supplied with captions to serve only as a guide to the contents. The caption does not control the meaning of any paragraph or in any way determine its interpretation or application.

COMPLIANCE WITH FEDERAL, STATE AND LOCAL LAWS

47. PST shall comply with all Federal, State and local laws, statutes, ordinances, resolutions, rules, regulations, orders and decrees of any court or administrative body or tribunal, including those related to the activities and performances of PST under this Agreement. Upon request by PAEDC and by the City, PST shall furnish satisfactory proof of its compliance herewith.

ATTORNEY APPROVALS

APPROVED AS TO FORM:

Guy Goodson, General Counsel for PAEDC

VERIFIED AS CONSISTANT
WITH CITY COUNCIL RESOLUTION:

Resolution Number: _____

Mark T. Sokolow, City Attorney

AGREEMENT EXECUTION

CITY OF PORT ARTHUR SECTION 4A ECONOMIC DEVELOPMENT CORPORATION

SIGNED AND AGREED TO on the ____ day of _____, 2006.

By: _____
President Eli Roberts

By: _____
Secretary Linda Spears

Witness

Witness

PANELIZED SYSTEMS TECHNOLOGY, L.L.C.

SIGNED AND AGREED TO on the ____ day of _____, 200__.

**Panelized Systems Technology, L.L.C.,
a Texas limited liability company**

By: _____
Sharron Kelly, President

Witness

EXHIBIT "A1"

COMMERCIAL PROMISSORY NOTE

Port Arthur, Texas

This COMMERCIAL PROMISSORY NOTE is made by Panelized Systems Technology, L.L.C. (hereinafter "Maker") to the City of Port Arthur Section 4A Economic Development Corporation (hereinafter "Lender").

Effective Date: the _____ day of _____, 2006.

Principal Amount: THREE HUNDRED THOUSAND AND NO/100 DOLLARS (\$300,000.00).

Term of the Loan: Fifteen (15) years from effective date.

Payment Schedule: One hundred eighty (180) equal installments of principal and interest paid monthly until principal is paid fully, with the first payment due one hundred twenty (120) days after the effective date, that is, on _____, 2006, and subsequent payments made on the 15th day of each month thereafter.

FOR VALUE RECEIVED, the undersigned Maker promises to pay to Lender, at its office at P.O. Box 1089, Port Arthur, Texas, 77640-1089, or such other place or places as the holder hereof shall from time to time designate in written notice to Maker, the principal amount, in legal and lawful money of the United States of America, together with interest thereon from the date hereof until maturity at the rate of **six percent (6 %)** per annum as detailed herein.

All past due principal and interest shall bear interest from date of maturity until paid at the rate of **fifteen percent (15%)** per annum, or to the maximum extent allowed by law (whichever is less) as may hereafter be in effect, payable on demand after maturity.

Any notices required or permitted to be given by the holder hereof to Maker pursuant to the provisions of this note shall be in writing and shall be either personally delivered or transmitted by first class United States mail, addressed to Maker at the address designated below for receipt of notice (or at such other address as Maker may, from time to time, designate in writing to the holder hereof for receipt of notices hereunder). Any such notice personally delivered shall be effective as of the date of delivery, and any notice transmitted by mail, in accordance with the foregoing provisions, shall be deemed to have been given to and received by Maker as of the date on which such notice was deposited with the United States Postal Service, properly addressed and with postage prepaid.

This note is also secured by and entitled to the benefits of all other security agreements, pledges, collateral assignments, deeds of trust, guaranties, mortgages, assignments, leases and lien instruments, if any, of any kind executed by Maker or by any other party as security for any loans owing by Maker to the Lender. Such lien instruments shall include those executed simultaneously herewith, those heretofore executed, and those hereafter executed.

If any installment or payment of principal or interest of this note is not paid when due or any drawer, acceptor, endorser, guarantor, surety, accommodation party or other person now or hereafter primarily or secondarily liable upon or for payment of all or any part of this note (each hereinafter called an "other liable party") shall die, or become insolvent (however such insolvency may be evidenced); or if any proceeding, procedure or remedy supplementary to or in enforcement of judgment shall be resorted to or commenced against Maker or any other liable party, or with respect to any property of any of them; or if any

governmental authority or any court at the instance thereof shall take possession of any substantial part of the property of or assume control over the affairs or operations of, or a receiver shall be appointed for or take possession of the property of, or a writ or order of attachment or garnishment shall be issued or made against any of the property of Maker or any other liable party; or if any indebtedness for which Maker or any other liable party is primarily or secondarily liable shall not be paid when due or shall become due and payable by acceleration of maturity thereof, or if any event or condition shall occur which shall permit the holder of any such indebtedness to declare it due and payable upon the lapse of time, giving of notice or otherwise; or if Maker or any other liable party (if other than a natural person) shall be dissolved, wound up, liquidated or otherwise terminated, or a party to any merger or consolidation without the written consent of Lender; or if Maker or any other liable party shall sell substantially all or an integral portion of its assets without the written consent of Lender; or if Maker or any other liable party fails to furnish financial information requested by Lender; or if Maker or any other liable party furnishes or has furnished any financial or other information or statements which are misleading in any respect; or if a default occurs under any instrument now or hereafter executed in connection with or as security for this note; or any event occurs or condition exists which causes Lender to in good faith deem itself insecure or in good faith believe the prospect of payment or performance by Maker or any other liable party under this note, under any instrument or agreement executed in connection with or as security for this note, or under any other indebtedness of Maker or any other liable party to Lender is impaired; thereupon, at the option of Lender, the principal balance and accrued interest of this note and any and all other indebtedness of Maker to Lender shall become and be due and payable forthwith without demand, notice of default, notice of acceleration, notice of intent to accelerate the maturity hereof, notice of nonpayment, presentment, protest or notice of dishonor, all of which are hereby expressly waived by Maker and each other liable party. Lender may waive any default without waiving any prior or subsequent default.

If this note is not paid at maturity whether by acceleration or otherwise, and is placed in the hands of any attorney for collection, or suit is filed hereon, or proceedings are had in probate, bankruptcy, receivership, reorganization, arrangement or other legal proceedings for collection hereof, Maker and each other liable party agree to pay Lender its collection costs, including court costs and a reasonable amount for attorney's fees and expenses.

It is the intention of Maker and Lender to conform strictly to applicable usury laws. Accordingly, if the transaction contemplated hereby would be usurious under applicable law, then, in that event, notwithstanding anything to the contrary herein or in any agreement entered into in connection with or as security for this note, it is agreed as follows: (i) the aggregate of all consideration which constitutes interest under applicable law that is taken, reserved, contracted for, charged or received under this note or under any of the other aforesaid agreements or otherwise in connection with this note shall under no circumstances exceed the maximum amount of interest allowed by applicable law, and any excess shall be credited on this note by the holder hereof (or, if this note shall have been paid in full, refunded to Maker); (ii) in the event that maturity of this note is accelerated by reason of an election by the holder hereof resulting from any default hereunder or otherwise, or in the event of any required or permitted prepayment, then such consideration that constitutes interest may never include more than the maximum amount allowed by applicable law, and excess interest, if any, provided for in this note or otherwise shall be canceled automatically as of the date of such acceleration or prepayment and, if theretofore prepaid, shall be credited on this note (or if this note shall have been paid in full, refunded to Maker); and (iii) all calculations of the rate of interest taken, reserved, contracted for, charged or received under this note or under any of the other aforesaid agreements or otherwise in connection with this note, that are made for the purpose of determining whether such rate exceeds the maximum lawful rate shall be made, to the extent permitted by applicable law, by amortizing, prorating, allocating, and spreading such interest over the entire term of the loan evidenced by this note (including all renewal and extended terms).

Maker may prepay all or any part of the principal of this note before maturity without penalty. No partial prepayment shall reduce, postpone or delay the obligation of Maker to continue paying the installments herein provided on their respective due dates following any such partial prepayment until this note is fully paid.

The Maker shall be directly and primarily liable for the payment of all sums called for hereunder; and, except for notices specifically required to be given by the holder hereof to Maker pursuant to the earlier provisions of this note, Maker and each other liable party hereby expressly waive demand, presentment for payment, notice of nonpayment, protest, notice of protest, notice of intention to accelerate maturity, notice of acceleration of maturity, and all other notice, filing of suit and diligence in collecting this note or enforcing or handling any of the security therefor, and do hereby agree to any substitution, exchange or release, in whole or in part, of any security here-for or the release of any other liable party, and do hereby consent to any and all renewals or extensions from time to time, of this note, or any part hereof, either before or after maturity, all without any notice thereof to any of them and without affecting or releasing the liability of any of them. Each holder hereof, in order to enforce payment of this note by any other liable party, shall not be required to first institute suit or exhaust its remedies against Maker and to enforce its rights against any security therefor prior to enforcing payment of this Note by any other liable party.

SIGNED AND AGREED TO on the ____ day of _____, 2006.

**Panelized Systems Technology, L.L.C.,
a Texas limited liability company**

By: _____
Sharron Kelly, President

ACKNOWLEDGEMENT

THE STATE OF _____ *

COUNTY OF _____ *

BEFORE ME, THE UNDERSIGNED Notary Public, on this day personally appeared Sharron Kelly, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he/she executed the same as the act and deed of PANELIZED SYSTEMS TECHNOLOGY, L.L.C., a Texas limited liability company, for the purposes and consideration therein expressed, and the Capacities therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the ____ day of _____, 200__.

Notary Public, State of _____

MAKERS' ADDRESS FOR RECEIPT OF NOTICE:

Panelized Systems Technology, L.L.C., a Texas limited liability company
c/o _____

EXHIBIT "A2"

DEED OF TRUST

Date: _____, 2006

Grantor: Panelized Systems Technology, L.L.C.

Grantors' Mailing Address: _____

(Jefferson County)

Trustee: KATHLEEN A. MCGLYNN

Trustee's Mailing Address: Germer Gertz, L.L.P.
P.O. Box 4915
Beaumont, Texas 77704
(Jefferson County)

Beneficiary: PORT ARTHUR SECTION 4A ECONOMIC
DEVELOPMENT CORPORATION ("PAEDC")

Beneficiary's Mailing Address
(including county): 4173 39th Street
Port Arthur, Texas 77642
(Jefferson County)

Note

Date: _____, 2006

Amount: \$300,000.00

Maker: Panelized Systems Technology, L.L.C.

Payee: PAEDC (Beneficiary)

Final Maturity Date: _____, 2021

Property: See Attachment "1" for legal description.

The Property covered by this Instrument includes the Land and the following items, whether now owned or hereafter acquired, all of which, including replacements and additions thereto, shall be deemed to be and remain part of the Property covered by this Instrument, and all rights, hereditaments and appurtenances pertaining thereto, all of which are referred to as the "Property":

- (a) Any and all buildings, improvements, and tenements now or hereafter attached to or placed, erected, constructed, or developed on the Land;
- (b) all fixtures, now or hereafter attached to Land or Improvements, that are necessary or useful for the complete and comfortable use and occupancy of the Land and Improvements;
- (c) all water and water rights, timber, crops, and mineral interest pertaining to the Land;

- (d) all building materials and fixtures now or hereafter delivered to and intended to be installed in or on the Land or the Improvements;
- (e) all plans and specifications for the Improvements and for any future development of or construction on the Land;
- (f) all Grantor's rights (but not Grantor's obligations) under any contracts relating to the Land or the Improvements;
- (g) all deposits (including tenant security deposits), bank accounts, funds, instruments, notes or chattel paper arising from or by virtue of any transactions related to the Land or the Improvements;
- (h) all Grantor's rights (but not Grantor's obligations) under any documents, contract rights, accounts, commitments, construction contracts (and all payment and performance bonds, statutory or otherwise, issued by any surety in connection with any such construction contracts, and the proceeds of such bonds), architectural contracts and engineering contracts arising from or by virtue of any transactions related to the Land or the Improvements;
- (i) all permits, licenses, franchises, certificates, and other rights and privileges now owned or held or hereafter obtained in connection with the Land and the Improvements;
- (j) all development rights, utility commitments, water and wastewater taps, capital improvement project contracts, utility construction agreements with any governmental authority, including municipal utility districts, or with any utility companies (and all refunds and reimbursements thereunder) relating to the Land or the Improvements;
- (k) all proceeds arising from or by virtue of the sale, lease or other disposition of the Land or the Improvements;
- (l) all proceeds (including premium refunds) of each policy of insurance relating to the Land and the Improvements;
- (m) all proceeds from the taking of any of the Land or the Improvements or any rights appurtenant thereto by right of eminent domain or by private or other purchase in lieu thereof, including change of grade of streets, curb cuts or other rights of access, for any public or quasi-public use under any law;
- (n) all right, title, and interest of Grantor in and to all streets, roads, public places, easements, and rights-of-way, existing or proposed, public or private, adjacent to or used in connection with, belonging or pertaining to the Land;
- (o) all of the Leases, rents, royalties, bonuses, issues, profits, revenues, or other benefits of the Land or the Improvements, including without limitation cash or securities deposited pursuant to leases to secure performance by the tenants of their obligations thereunder (subject to the Assignment of Rents made in Article V below); and
- (p) other interest of every kind and character that Grantor now has or at any time hereafter acquires in and to the Land and the Improvements, including rights of ingress and egress and all reversionary rights or interests of Grantor with respect to such property and all of Grantor's rights (but not Grantor's obligations) under any covenants, conditions, and restrictions for the Land, as the same may be amended from time to time, including Grantor's rights, title, and interests thereunder as declarant or developer, if applicable.

Senior (prior) Lien Deed of Trust, dated _____, _____, and recorded as Instrument Number _____ in the Public Records of Jefferson County, Texas, for the benefit of _____, which Deed of Trust shall be senior in priority to the within Deed of Trust up to the amount of \$500,000.00.

Other Exceptions to Conveyance and Warranty:

This conveyance is made expressly SUBJECT TO any and all restrictions, covenants, conditions, easements, right-of-ways, and mineral and/or royalty reservations of record, if any, affecting this Property.

For value received and to secure payment of the note, Grantor conveys the property to Trustee in trust. Grantor warrants and agrees to defend the title to the property. If Grantor performs all the covenants and pays the note according to its terms, this deed of trust shall have no further effect, and Beneficiary shall release it at Grantor's expense.

Grantor's Obligations

Grantor agrees to:

1. keep the property in good repair and condition;
2. pay all taxes and assessments on the property when due and by January 31 of the year immediately following, furnishing Beneficiary copies of tax receipts showing that all such taxes and assessments have been paid;
3. preserve the lien's priority as it is established in this deed of trust;
4. maintain, in a form acceptable to Beneficiary, an insurance policy that
 - a. covers all improvements for their full insurable value as determined when the policy is issued and renewed, unless Beneficiary approves a smaller amount in writing;
 - b. contains an 80% coinsurance clause;
 - c. provides fire and extended coverage, including windstorm coverage;
 - d. protects Beneficiary with a standard mortgage clause;
 - e. provides flood insurance at any time the property is in a flood hazard area; and
 - f. contains such other coverage as Beneficiary may reasonably require;
5. comply at all times with the requirements of the 80% coinsurance clause;
6. deliver the insurance policy to Beneficiary and deliver renewals to Beneficiary at least ten days before expiration;
7. keep any buildings occupied as required by the insurance policy; and
8. provide the Beneficiary herein copies of all notices, financial statements, reports and other information provided to the senior lien holder;
9. punctually pay or cause to be paid the principal and interest to become due in respect of the senior debt according to the terms thereof;
10. perform all of its obligations under the senior lender documents;
11. arrange for senior lien holder to send Beneficiary notices if Grantor defaults;
12. immediately report to Beneficiary in writing any default by Grantor under the senior lien;
13. immediately report to Beneficiary in writing any tax, judgment, materialman's or mechanic's lien on the Property; and
14. in the event the Beneficiary herein deems itself reasonably insecure in its ability to realize upon its junior lien in the Property, upon notice thereof to Grantor, provide the Beneficiary with such additional collateral as may reasonably secure the Beneficiary's position, subject to the rights and restrictions imposed by the senior lien holder.

Grantor shall not, without the prior written consent of Beneficiary,

1. materially alter any of the terms and conditions of the senior debt or increase the maximum indebtedness available to Grantor under the senior lender documents; or
2. further encumber the Property.

Beneficiary's Rights

1. Beneficiary may appoint in writing a substitute or successor trustee, succeeding to all rights and responsibilities of Trustee;
2. If the proceeds of the note are used to pay any debt secured by senior (prior) liens, Beneficiary is subrogated to all of the rights and liens of the holders of any debt so paid;
3. Beneficiary shall apply any proceeds received under the insurance policy to repair or replace damaged or destroyed improvements covered by the policy, unless Grantor is in default of Note or Deed of Trust in which case insurance proceeds may be applied to reduce Grantor's obligation under Note or Deed of Trust;
4. If Grantor fails to perform any of Grantor's obligations, Beneficiary may perform those obligations and be reimbursed by Grantor on demand at the place where the note is payable for any sums so paid, including attorney's fees, plus interest on those sums from the dates of payments at the rate stated in the note for matured, unpaid amounts. The sum to be reimbursed shall be secured by this deed of trust.
5. If Grantor defaults on the note or fails to perform any of Grantor's obligations or if default occurs on the senior lien note or other instrument, and the default continues after Beneficiary gives Grantor notice of the default and the time within which it must be cured, as may be required by law or by written agreement, then Beneficiary may:
 - a. Declare the unpaid principle balance and earned interest on the note immediately due; and
 - b. Request Trustee to reconvey property to Beneficiary by a proper recorded warranty deed.

Trustee's Duties

If requested by Beneficiary to reconvey this property, Trustee shall:

1. Either personally or by agent give notice to Grantor at least 30 days before reconveyance.

Beneficiary will pay Trustee's expenses and fees.

General Provisions

1. If any of the property is reconveyed under this deed of trust, Grantor shall immediately surrender possession to the Beneficiary. If Grantor fails to do so, Grantor shall become a tenant at sufferance of the Beneficiary, subject to an action for forcible detainer.
2. Recitals in any Trustee's deed conveying the property will be presumed to be true.
3. Proceeding under this deed of trust, filing suit or pursuing any other remedy will not constitute an election of remedies.
4. This lien shall remain superior to liens later created even if the time of payment of all or part of the note is extended or part of the property is released.
5. If any portion of the note cannot be lawfully secured by this deed of trust, payments shall be applied first to discharge that portion.

6. Grantor assigns to Beneficiary all sums payable to or received by Grantor from condemnation of all or part of the property, from private sale in lieu of condemnation, and from damages caused by public works or construction on or near the property. After deducting any expenses incurred, including attorney's fees, Beneficiary may release any remaining sums to Grantor or apply such sums to reduce the note Beneficiary shall not be liable for failure to collect or to exercise diligence in collecting any such sums.
7. Grantor assigns to Beneficiary absolutely, not only as collateral, all present and future rent and other income and receipts from the property. Leases are not assigned. Grantor warrants the validity and enforceability of the assignment. Grantor may as Beneficiary's licensee collect rent and other income and receipts as long as Grantor is not in default under the note or this deed of trust. Grantor will apply all rent and other income and receipts to payment of the note and performance of this deed of trust, but if the rent and other income and receipts exceed the amount due under the note and deed of trust, Grantor may retain the excess. If Grantor defaults in payment of the note or performance of this deed of trust, Beneficiary may terminate Grantor's license to collect and then as Grantor's agent may rent the property if it is vacant and collect all rent and other income and receipts. Beneficiary neither has nor assumes any obligations as lessor or landlord with respect to any occupant of the property. Beneficiary may exercise Beneficiary's rights and remedies under this paragraph without taking possession of the property. Beneficiary shall apply all rent and other income and receipts collected under this paragraph first to expenses incurred in exercising Beneficiary's rights and remedies and then to Grantor's obligations under the note and this deed of trust in the order determined by Beneficiary. Beneficiary is not required to act under this paragraph, and acting under this paragraph does not waive any of Beneficiary's other rights or remedies. If Grantor becomes a voluntary or involuntary bankrupt, Beneficiary's filing a proof of claim in bankruptcy will be tantamount to the appointment of a receiver under Texas law.
8. Interest on the debt secured by this deed of trust shall not exceed the maximum amount of nonusurious interest that may be contracted for, taken, reserved, charged, or received under law; any interest in excess of that maximum amount shall be credited on the principal of the debt or, if that has been paid, refunded. On any acceleration or required or permitted prepayment, any such excess shall be canceled automatically as of the acceleration or prepayment or, if already paid, credited on the principal of the debt or, if the principal of the debt has been paid, refunded. This provision overrides other provisions in this and all other instruments concerning the debt.
9. When the context requires, singular nouns and pronouns include the plural.
10. The term note includes all sums secured by this deed of trust.
11. This deed of trust shall bind, insure to the benefit of, and be exercised by successors in interest of all parties.
12. If Grantor and Maker are not the same person, the term Grantor shall include Maker.
13. THIS DEED OF TRUST IS GRANTED IN CONJUNCTION WITH THAT CERTAIN ECONOMIC INCENTIVE CONTRACT AND LOAN AGREEMENT OF EVEN DATE.

**Panelized Systems Technology, L.L.C.,
a Texas limited liability company**

By: _____
Sharron Kelly, President

THE STATE OF _____ §
COUNTY OF _____ §

BEFORE ME, THE UNDERSIGNED Notary Public, on this day personally appeared Sharron Kelly, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he/she executed the same as the act and deed of PANELIZED SYSTEMS TECHNOLOGY, L.L.C., a Texas limited liability company, for the purposes and consideration therein expressed, and the Capacities therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the ____ day of _____, 200__.

Notary Public, State of _____

AFTER RECORDING RETURN TO:

Kathleen A. McGlynn
Germer Gertz, L.L.P.
P.O. Box 4915
Beaumont, Texas 77704

Attachment "1" to Deed of Trust

Legal Property Description

NOTE: Must be provided prior to execution of Deed of Trust.

EXHIBIT "B1"

CONDITIONAL COMMERCIAL PROMISSORY NOTE

Port Arthur, Texas

This COMMERCIAL PROMISSORY NOTE becomes effective on the date when Panelized Systems Technology, L.L.C., a Texas limited liability company (hereinafter "Maker") breaches that certain Economic Incentive Contract and Loan Agreement between the City of Port Arthur Section 4A Economic Development Corporation (hereinafter called "Lender") and Maker, dated _____, 2006.

Effective Date: the _____ day of _____, 200____. ("date of breach")

Principal Amount: TWENTY-FIVE THOUSAND AND NO/100 DOLLARS (\$25,000.00).

Term of the Loan: Three (3) years from effective date.

Payment Schedule: Monthly until principal is paid fully.

FOR VALUE RECEIVED, the undersigned Maker promises to pay to Lender, at its office at P.O. Box 1089, Port Arthur, Texas, 77640-1089, or such other place or places as the holder hereof shall from time to time designate in written notice to Maker, the principal amount, in legal and lawful money of the United States of America, together with interest thereon from the date hereof until maturity at the rate of **ten percent (10%)** per annum as detailed herein.

All past due principal and interest shall bear interest from date of maturity until paid at the rate of **fifteen percent (15%)** per annum, or to the maximum extent allowed by law (whichever is greater) as may hereafter be in effect, payable on demand after maturity.

This note is due and payable as follows: Thirty-six (36) equal monthly installments of principal and interest on the fifteenth of each month, starting on the month immediately following the effective date of the Note.

Any notices required or permitted to be given by the holder hereof to Maker pursuant to the provisions of this note shall be in writing and shall be either personally delivered or transmitted by first class United States mail, addressed to Maker at the address designated below for receipt of notice (or at such other address as Maker may, from time to time, designate in writing to the holder hereof for receipt of notices hereunder). Any such notice personally delivered shall be effective as of the date of delivery, and any notice transmitted by mail, in accordance with the foregoing provisions, shall be deemed to have been given to and received by Maker as of the date on which such notice was deposited with the United States Postal Service, properly addressed and with postage prepaid.

This note is also secured by and entitled to the benefits of all other security agreements, pledges, collateral assignments, deeds of trust, guaranties, mortgages, assignments, and lien instruments, if any, of any kind executed by Maker or by any other party as security for any loans owing by Maker to the Lender. Such lien instruments shall include those executed simultaneously herewith, those heretofore executed, and those hereafter executed.

If any installment or payment of principal or interest of this note is not paid when due or any drawer, acceptor, endorser, guarantor, surety, accommodation party or other person now or hereafter primarily or secondarily liable upon or for payment of all or any part of this note (each hereinafter called an "other liable party") shall die, or become insolvent (however such insolvency may be evidenced); or if any proceeding, procedure or remedy

supplementary to or in enforcement of judgment shall be resorted to or commenced against Maker or any other liable party, or with respect to any property of any of them; or if any governmental authority or any court at the instance thereof shall take possession of any substantial part of the property of or assume control over the affairs or operations of, or a receiver shall be appointed for or take possession of the property of, or a writ or order of attachment or garnishment shall be issued or made against any of the property of Maker or any other liable party; or if any indebtedness for which Maker or any other liable party is primarily or secondarily liable shall not be paid when due or shall become due and payable by acceleration of maturity thereof, or if any event or condition shall occur which shall permit the holder of any such indebtedness to declare it due and payable upon the lapse of time, giving of notice or otherwise; or if Maker or any other liable party (if other than a natural person) shall be dissolved, wound up, liquidated or otherwise terminated, or a party to any merger or consolidation without the written consent of Lender; or if Maker or any other liable party shall sell substantially all or an integral portion of its assets without the written consent of Lender; or if Maker or any other liable party fails to furnish financial information requested by Lender; or if Maker or any other liable party furnishes or has furnished any financial or other information or statements which are misleading in any respect; or if a default occurs under any instrument now or hereafter executed in connection with or as security for this note; or any event occurs or condition exists which causes Lender to in good faith deem itself insecure or in good faith believe the prospect of payment or performance by Maker or any other liable party under this note, under any instrument or agreement executed in connection with or as security for this note, or under any other indebtedness of Maker or any other liable party to Lender is impaired; thereupon, at the option of Lender, the principal balance and accrued interest of this note and any and all other indebtedness of Maker to Lender shall become and be due and payable forthwith without demand, notice of default, notice of acceleration, notice of intent to accelerate the maturity hereof, notice of nonpayment, presentment, protest or notice of dishonor, all of which are hereby expressly waived by Maker and each other liable party. Lender may waive any default without waiving any prior or subsequent default.

If this note is not paid at maturity whether by acceleration or otherwise, and is placed in the hands of any attorney for collection, or suit is filed hereon, or proceedings are had in probate, bankruptcy, receivership, reorganization, arrangement or other legal proceedings for collection hereof, Maker and each other liable party agree to pay Lender its collection costs, including court costs and a reasonable amount for attorney's fees.

It is the intention of Maker and Lender to conform strictly to applicable usury laws. Accordingly, if the transaction contemplated hereby would be usurious under applicable law, then, in that event, notwithstanding anything to the contrary herein or in any agreement entered into in connection with or as security for this note, it is agreed as follows: (i) the aggregate of all consideration which constitutes interest under applicable law that is taken, reserved, contracted for, charged or received under this note or under any of the other aforesaid agreements or otherwise in connection with this note shall under no circumstances exceed the maximum amount of interest allowed by applicable law, and any excess shall be credited on this note by the holder hereof (or, if this note shall have been paid in full, refunded to Maker); (ii) in the event that maturity of this note is accelerated by reason of an election by the holder hereof resulting from any default hereunder or otherwise, or in the event of any required or permitted prepayment, then such consideration that constitutes interest may never include more than the maximum amount allowed by applicable law, and excess interest, if any, provided for in this note or otherwise shall be canceled automatically as of the date of such acceleration or prepayment and, if theretofore prepaid, shall be credited on this note (or if this note shall have been paid in full, refunded to Maker); and (iii) all calculations of the rate of interest taken, reserved, contracted for, charged or received under this note or under any of the other aforesaid agreements or otherwise in connection with this note, that are made for the purpose of determining whether such rate exceeds the maximum lawful rate shall be made, to the extent permitted by applicable law, by amortizing, prorating, allocating, and spreading such interest over the entire term of the loan evidenced by this note (including

all renewal and extended terms).

Maker may prepay all or any part of the principal of this note before maturity without penalty. No partial prepayment shall reduce, postpone or delay the obligation of Maker to continue paying the installments herein provided on their respective due dates following any such partial prepayment until this note is fully paid.

The Maker shall be directly and primarily liable for the payment of all sums called for hereunder; and, except for notices specifically required to be given by the holder hereof to Maker pursuant to the earlier provisions of this note, Maker and each other liable party hereby expressly waive demand, presentment for payment, notice of nonpayment, protest, notice of protest, notice of intention to accelerate maturity, notice of acceleration of maturity, and all other notice, filing of suit and diligence in collecting this note or enforcing or handling any of the security therefor, and do hereby agree to any substitution, exchange or release, in whole or in part, of any security here-for or the release of any other liable party, and do hereby consent to any and all renewals or extensions from time to time, of this note, or any part hereof, either before or after maturity, all without any notice thereof to any of them and without affecting or releasing the liability of any of them. Each holder hereof, in order to enforce payment of this note by any other liable party, shall not be required to first institute suit or exhaust its remedies against Maker and to enforce its rights against any security therefor prior to enforcing payment of this Note by any other liable party.

SIGNED AND AGREED TO on the _____ day of _____, 2006.

**Panelized Systems Technology, L.L.C.,
a Texas limited liability company**

By: _____
Sharron Kelly, President

ACKNOWLEDGEMENT

THE STATE OF _____ §

COUNTY OF _____ §

BEFORE ME, THE UNDERSIGNED Notary Public, on this day personally appeared Sharron Kelly, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he/she executed the same as the act and deed of PANELIZED SYSTEMS TECHNOLOGY, L.L.C., a Texas limited liability company, for the purposes and consideration therein expressed, and the Capacities therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the ____ day of

_____, 200__.

Notary Public, State of _____

MAKERS' ADDRESS FOR RECEIPT OF NOTICE:

Panelized Systems Technology, L.L.C., a Texas limited liability company
c/o _____

EXHIBIT "B2"

COMMERCIAL SECURITY AGREEMENT

Dated _____, 2006

<u>Debtor(s)</u>	<u>Secured Party</u>
Panelized Systems Technology, L.L.C.	Port Arthur Section 4A Economic Development Corporation ("PAEDC")
	P.O. Box 3934 4173 39 th Street
	Port Arthur, Texas 77642

(hereinafter referred to as "Debtor")

(hereinafter referred to as "Secured Party")

FOR VALUE RECEIVED, the receipt and sufficiency of which is hereby acknowledged, Debtor grants to Secured Party the security interest (and the pledges and assignments as applicable) hereinafter set forth and agrees with Secured Party as follows:

A. **OBLIGATIONS SECURED.** The first priority lien and pledges and assignments as applicable granted hereby are to secure punctual payment and performance of the following: (i) certain promissory note(s) of even date herewith in the original principal sum of \$300,000 and the conditional sum of \$25,000, executed by Debtor and payable to the order of Secured Party, and any and all extensions, renewals, modifications and rearrangements thereof, (ii) certain obligations of Debtor to Secured Party under that certain Economic Incentive Contract and Loan Agreement of even date and all extensions, renewals, modifications and rearrangements thereof, (iii) all real and personal property leases, and (iv) any and all other indebtedness, liabilities and obligations whatsoever and of whatever nature of Debtor to Secured Party whether direct or indirect, absolute or contingent, primary or secondary, due or to become due and whether now existing or hereafter arising and howsoever evidenced or acquired, whether joint or several, or joint and several (all of which are herein separately and collectively referred to as the "Obligations"). Debtor acknowledges that the security interest (and pledges and assignments as applicable) hereby granted shall secure all future advances as well as any and all other indebtedness, liabilities and obligations of Debtor to Secured Party whether now in existence or hereafter arising.

B. **USE OF COLLATERAL.** Debtor represents, warrants and covenants that Collateral will be used by the Debtor primarily for business use.

C. **DESCRIPTION OF COLLATERAL.** Debtor hereby grants to Secured Party a first priority lien in (and hereby pledges and assigns as applicable) and agrees that Secured Party shall continue to have a security interest in (and a pledge and assignment of as applicable), the following property, to wit: (DEBTOR TO INITIAL APPROPRIATE BLANKS)

 X **All Accounts.** A security interest in all accounts now owned or existing as well as any and all that may hereafter arise or be acquired by Debtor, and all the proceeds and products thereof, including without limitation, all notes, drafts, acceptances, instruments and chattel paper arising therefrom, and all returned or repossessed goods arising from or

relating to any such accounts, or other proceeds of any sale or other disposition of inventory.

_____ **Specific Accounts.** A security interest in only those specific accounts and/or contracts listed and described on Schedule A attached or which may hereafter be attached hereto, and all the proceeds and products thereof, including without limitation, all notes, drafts, acceptances, instruments and chattel paper arising therefrom, and all returned or repossessed goods arising from or relating to any such accounts or other proceeds of any sale or other disposition of inventory.

 X **All Inventory.** A security interest in all of Debtor's inventory, including all goods, merchandise, raw materials, goods in process, finished goods and other tangible personal property, wheresoever located, now owned or hereafter acquired and held for sale or lease or furnished or to be furnished under contracts for service or used or consumed in Debtor's business and all additions and accessions thereto and contracts with respect thereto and all documents of title evidencing or representing any part thereof, and all products and proceeds thereof, including, without limitation, all of such which is now or hereafter located at the following locations: (give locations)

_____ **All Fixtures.** A security interest in all of Debtor's fixtures and appurtenances thereto, and such other goods, chattels, fixtures, equipment and personal property affixed or in any manner attached to the real estate and/or building(s) or structure(s), including all additions and accessions thereto and replacements thereof and articles in substitution therefor, howsoever attached or affixed, located at the following locations: (give legal address)

The record owner of the real estate is: _____.

 X **All Equipment.** A security interest in all equipment of every nature and description whatsoever now owned or hereafter acquired by Debtor including all appurtenances and additions thereto and substitutions therefor, wheresoever located, including all tools, parts and accessories used in connection therewith.

 X **General Intangibles.** A security interest in all general intangibles and other personal property now owned or hereafter acquired by Debtor other than goods, accounts, chattel paper, documents and instruments.

_____ **Chattel Paper.** A security interest in all of Debtor's interest under chattel paper, lease agreements and other instruments or documents, whether now existing or owned by Debtor or hereafter arising or acquired by Debtor, evidencing both a debt and security interest in or lease of specific goods.

_____ **Farm Products.** A security interest in alt of Debtor's interest in any and all crops,

livestock and supplies used or produced by Debtor in farming operations wheresoever located: Debtor's residence is in the county shown at the beginning of this Agreement and Debtor agrees to notify promptly Secured Party of any change in the county of Debtor's residence; all of Debtor's crops or livestock are presently located in the following counties: (give counties)

_____ **Securities.** A pledge and assignment of and security interest in the securities described below, together with all instruments and general intangibles related thereto and all monies, income, proceeds and benefits attributable or accruing to said property, including, but not limited to, all stock rights, options, rights to subscribe, dividends, liquidating dividends, stock dividends, dividends paid in stock, new security or other properties or benefits to which the Debtor is or may hereafter become entitled to receive on account of said property. (give description)

_____ **Certificates of Deposit.** A pledge and assignment of and security interest in all of Debtor's interest in and to the certificates of deposit described below and instruments related thereto, and all renewals or substitutions therefor, together with all monies, income, interest, proceeds and benefits attributable or accruing to said property or to which Debtor is or may hereafter be entitled to receive on account of said property. (give description)

_____ **Instruments.** A pledge and assignment of and security interest in all of Debtor's now owned or existing as well as hereafter acquired or arising instruments and documents.

_____ **Other.**

The term "Collateral" as used in this Agreement shall mean and include, and the security interest (and pledge and assignment as applicable) shall cover, all of the foregoing property, as well as any accessions, additions and attachments thereto and the proceeds and products thereof, including without limitation, all cash, general intangibles, accounts, inventory, equipment, fixtures, farm products, notes, drafts, acceptances, securities, instruments, chattel paper, insurance proceeds payable because of loss or damage, or other property, benefits or rights arising therefrom, and in and to all returned or repossessed goods arising from or relating to any of the property described herein or other proceeds of any sale or other disposition of such property.

As additional security for the punctual payment and performance of the Obligations, and as part of the Collateral, Debtor hereby grants to Secured Party a security interest in, and a pledge and assignment of, any and all money, property, deposit accounts, accounts, securities, documents, chattel paper, claims, demands, instruments, items or deposits of the Debtor, and each of them, or to which any of them is a party, now held or hereafter coming within Secured Party's custody or control, including without limitation, all certificates of deposit and other

depository accounts, whether such have matured or the exercise of Secured Party's rights results in loss of interest or principal or other penalty on such deposits, but excluding deposits subject to tax penalties if assigned. Without prior notice to or demand upon the Debtor, Secured Party may exercise its rights granted above at any time when a default has occurred or Secured Party deems itself insecure. Secured Party's rights and remedies under this paragraph shall be in addition to and cumulative of any other rights or remedies at law and equity, including, without limitation, any rights of set-off to which Secured Party may be entitled.

D. REPRESENTATIONS, WARRANTIES AND COVENANTS OF DEBTOR.
Debtor represents and warrants as follows:

1. **Ownership; No Encumbrances:** Except for the security interest (and pledges and assignments as applicable) granted hereby, the Debtor is, and as to any property acquired after the date hereof which is included within the Collateral, Debtor will be, the owner of all such Collateral free and clear from all charges, liens, security interests, adverse claims and encumbrances of any and every nature whatsoever.

2. **No Financing Statements:** There is no financing statement or similar filing now on file in any public office covering any part of the Collateral, and Debtor will not execute and there will not be on file in any public office any financing statement or similar filing except the financing statements filed or to be filed in favor of Secured Party.

3. **Accuracy of Information:** All information furnished to Secured Party concerning Debtor, the Collateral and the Obligations, or otherwise for the purpose of obtaining or maintaining credit, is or will be at the time the same is furnished, accurate and complete in all material respects.

4. **Authority:** Debtor has full right and authority to execute and perform this Agreement and to create the security interest (and pledges and assignment as applicable) created by this Agreement. The making and performance by Debtor of this Agreement will not violate any Certificate of Formation, bylaws or similar document respecting Debtor, any provision of law, any order of court or governmental agency, or any indenture or other agreement to which Debtor is a party, or by which Debtor or any of Debtor's property is bound, or be in conflict with, result in a breach of or constitute (with due notice and/or lapse of time) a default under any such indenture or other agreement, or result in the creation or imposition of any charge, lien, security interest, claim or encumbrance of any and every nature whatsoever upon the Collateral, except as contemplated by this Agreement.

5. **Addresses:** The address of Debtor designated at the beginning of this Agreement is Debtor's place of business if Debtor has only one place of business; Debtor's chief executive office if Debtor has more than one place of business; or Debtor's residence if Debtor has no place of business. Debtor agrees not to change such address without advance written notice to Secured Party.

E. **GENERAL COVENANTS.** Debtor covenants and agrees as follows:

1. **Operation of the Collateral:** Debtor agrees to maintain and use the Collateral solely in the conduct of its own business, in a careful and proper manner, and in conformity with all applicable permits or licenses. Debtor shall comply in all respects with all applicable statutes, laws, ordinances and regulations. Debtor shall not use the Collateral in any unlawful manner or for any unlawful purposes, or in any manner or for any purpose that would expose the Collateral to unusual risk, or to penalty, forfeiture or capture, or that would render inoperative any insurance in connection with the Collateral.
2. **Condition:** Debtor shall maintain, service and repair the Collateral so as to keep it in good operating condition. Debtor shall replace within a reasonable time all parts that may be worn out, lost, destroyed or otherwise rendered unfit for use, with appropriate replacement parts. Debtor shall obtain and maintain in good standing at all times all applicable permits, licenses, registrations and certificates respecting the Collateral.
3. **Assessments:** Debtor shall promptly pay when due all taxes, assessments, license fees, registration fees, and governmental charges levied or assessed against Debtor or with respect to the Collateral or any part thereof.
4. **No Encumbrances:** Debtor agrees not to suffer or permit any charge, lien, security interest, adverse claim or encumbrance of any and every nature whatsoever against the Collateral or any part thereof.
5. **No Removal:** Except as otherwise provided in this Agreement, Debtor shall not remove the Collateral from the county or counties designated at the beginning of this Agreement without Secured Party's prior written consent.
6. **No Transfer:** Except as otherwise provided in this Agreement with respect to inventory, Debtor shall not, without the prior written consent of Secured Party, sell, assign, transfer, lease, charter, encumber, hypothecate or dispose of the Collateral, or any part thereof, or interest therein, or offer to do any of the foregoing.
7. **Notices and Reports:** Debtor shall promptly notify Secured Party in writing of any change in the name, identity or structure of Debtor, any charge, lien, security interest, claim or encumbrance asserted against the Collateral, any litigation against Debtor or the Collateral, any theft, loss, injury or similar incident involving the Collateral, and any other material matter adversely affecting Debtor or the Collateral. Debtor shall furnish such other reports, information and data regarding Debtor's financial condition and operations, the Collateral and such other matters as Secured Party may request from time to time.
8. **Landlord's Waivers:** Debtor shall furnish to Secured Party, if requested, a landlord's waiver of all liens with respect to any Collateral covered by this Agreement that is or may be located upon leased premises, such landlord's waivers to be in such form and upon such terms as are acceptable to Secured Party.

9. **Additional Filings:** Debtor agrees to execute and deliver such financing statement or statements, or amendments thereof or supplements thereto, or other documents as Secured Party may from time to time require in order to comply with the Texas Uniform Commercial Code (or other applicable state law of the jurisdiction where any of the Collateral is located) and to preserve and protect the Secured Party's rights to the Collateral.

10. **Protection of Collateral:** Secured Party, at its option, whether before or after default, but without any obligation whatsoever to do so, may (a) discharge taxes, claims, charges, liens, security interests, assessments or other encumbrances of any and every nature whatsoever at any time levied, placed upon or asserted against the Collateral, (b) place and pay for insurance on the Collateral, including insurance that only protects Secured Party's interest, (c) pay for the repair, improvement, testing, maintenance and preservation of the Collateral, (d) pay any filing, recording, registration, licensing or certification fees or other fees and charges related to the Collateral, or (e) take any other action to preserve and protect the Collateral and Secured Party's rights and remedies under this Agreement as Secured Party may deem necessary or appropriate. Debtor agrees that Secured Party shall have no duty or obligation whatsoever to take any of the foregoing action. Debtor agrees to promptly reimburse Secured Party upon demand for any payment made or any expense incurred by the Secured Party pursuant to this authorization. These payments and expenditures, together with interest thereon from date incurred until paid by Debtor at the maximum contract rate allowed under applicable laws, which Debtor agrees to pay, shall constitute additional Obligations and shall be secured by and entitled to the benefits of this Agreement.

11. **Inspection:** Debtor shall at all reasonable times allow Secured Party by or through any of its officers, agents, attorneys or accountants, to examine the Collateral, wherever located, and to examine and make extracts from Debtor's books and records.

12. **Further Assurances:** Debtor shall do, make, procure, execute and deliver all such additional and further acts, things, deeds, interests and assurances as Secured Party may require from time to time to protect, assure and enforce Secured Party's rights and remedies.

13. **Insurance:** Debtor shall have and maintain insurance at all times with respect to all tangible Collateral insuring against risks of fire (including so-called extended coverage), theft and other risks as Secured Party may require, containing such terms, in such form and amounts and written by such companies as may be satisfactory to Secured Party, all of such insurance to contain loss payable clauses in favor of Secured Party as its interest may appear. All policies of insurance shall provide for ten (10) days written minimum cancellation notice to Secured Party and at the request of Secured Party shall be delivered to and held by it. Secured Party is hereby authorized to act as attorney for Debtor in obtaining, adjusting, settling and canceling such insurance and endorsing any drafts or instruments. Secured Party shall be authorized to apply the proceeds from any insurance to the Obligations secured hereby whether or not such Obligations are then due and payable. Debtor specifically authorizes Secured Party to disclose information from the policies of insurance to prospective insurers regarding the Collateral.

14. **Additional Collateral:** If Secured Party should at any time be of the opinion that

the Collateral is impaired, not sufficient or has declined or may decline in value, or should Secured Party deem payment of the Obligations to be insecure, then Secured Party may call for additional security satisfactory to Secured Party, and Debtor promises to furnish such additional security forthwith. The call for additional security may be oral, by telegram, or United States mail addressed to Debtor, and shall not affect any other subsequent right of Secured Party to exercise the same.

F. **ADDITIONAL PROVISIONS REGARDING ACCOUNTS.** The following provisions shall apply to all accounts included within the Collateral:

1. **Definitions:** The term "account", as used in this Agreement, shall have the same meaning as set forth in the Uniform Commercial Code of Texas in effect as of the date of execution hereof, and as set forth in any amendment to the Uniform Commercial Code of Texas to become effective after the date of execution hereof, and also shall include all present and future notes, instruments, documents, general intangibles, drafts, acceptances and chattel paper of Debtor, and the proceeds thereof.

2. **Additional Warranties:** As of the time any account becomes subject to the security interest (or pledge or assignment as applicable) granted hereby, Debtor shall be deemed further to have warranted as to each and all of such accounts as follows: (a) each account and all papers and documents relating thereto are genuine and in all respects what they purport to be; (b) each account is valid and subsisting and arises out of a bona fide sale of goods sold and delivered to, or out of and for services theretofore actually rendered by the Debtor to the account debtor named in the account; (c) the amount of the account represented as owing is the correct amount actually and unconditionally owing except for normal cash discounts and is not subject to any setoffs, credits, defenses, deductions or countercharges; and (d) Debtor is the owner thereof free and clear of any charges, liens, security interests, adverse claims and encumbrances of any and every nature whatsoever.

3. **Collection of Accounts:** Secured Party shall have the right in its own name or in the name of the Debtor, whether before or after default, to require Debtor forthwith to transmit all proceeds of collection of accounts to Secured Party, to notify any and all account debtors to make payments of the accounts directly to Secured Party, to demand, collect, receive, receipt for, sue for, compound and give acquittal for, any and all amounts due or to become due on the accounts and to endorse the name of the Debtor on all commercial paper given in payment or part payment thereof, and in Secured Party's discretion to file any claim or take any other action or proceeding that Secured Party may deem necessary or appropriate to protect and preserve and realize upon the accounts and related Collateral. Unless and until Secured Party elects to collect accounts, and the privilege of Debtor to collect accounts is revoked by Secured Party in writing, Debtor shall continue to collect accounts, account for same to Secured Party, and shall not commingle the proceeds of collection of accounts with any funds of the Debtor. In order to assure collection of accounts in which Secured Party has a security interest (or pledge or assignment of as applicable) hereunder, Secured Party may notify the post office authorities to change the address for delivery of mail addressed to Debtor to such address as Secured Party may designate, and to open and dispose of such mail and receive the collections of accounts included herewith. Secured Party shall have no duty or obligation whatsoever to collect any account, or to take any

other action to preserve or protect the Collateral; however, should Secured Party elect to collect any account or take possession of any Collateral, Debtor releases Secured Party from any claim or claims for loss or damage arising from any act or omission in connection therewith.

4. **Identification and Assignment of Accounts:** Upon Secured Party's request, whether before or after default, Debtor shall take such action and execute and deliver such documents as Secured Party may reasonably request in order to identify, confirm, mark, segregate and assign accounts and to evidence Secured Party's interest in same. Without limitation of the foregoing, Debtor, upon request, agrees to assign accounts to Secured Party, identify and mark accounts as being subject to the security interest (or pledge or assignment as applicable) granted hereby, mark Debtor's books and records to reflect such assignments, and forthwith to transmit to Secured Party in the form as received by Debtor any and all proceeds of collection of such accounts.

5. **Account Reports:** Debtor will deliver to Secured Party, prior to the tenth (10) day of each month, or on such other frequency as Secured Party may request, a written report in form and content satisfactory to Secured Party, showing a listing and aging of accounts and such other information as Secured Party may request from time to time. Debtor shall immediately notify Secured Party of the assertion by any account debtor of any set-off, defense or claim regarding an account or any other matter adversely affecting an account.

6. **Segregation of Returned Goods:** Returned or repossessed goods arising from or relating to any accounts included within the Collateral shall if requested by Secured Party be held separate and apart from any other property. Debtor shall as often as requested by Secured Party, but not less often than weekly even though no special request has been made, report to Secured Party the appropriate identifying information with respect to any such returned or repossessed goods relating to accounts included in assignments or identifications made pursuant hereto.

G. **ADDITIONAL PROVISIONS REGARDING INVENTORY.** The following provisions shall apply to all inventory included within the Collateral:

1. **Inventory Reports:** Debtor will deliver to Secured Party, prior to the tenth (10th) day of each month, or on such other frequency as Secured Party may request, a written report in form and content satisfactory to Secured Party, with respect to the preceding month or other applicable period, showing Debtor's opening inventory, inventory acquired, inventory sold, inventory returned, inventory used in Debtor's business, closing inventory, any other inventory not within the preceding categories, and such other information as Secured Party may request from time to time. Debtor shall immediately notify Secured Party of any matter adversely affecting the inventory, including, without limitation, any event causing loss or depreciation in the value of the inventory and the amount of such possible loss or depreciation.

2. **Location of Inventory:** Debtor will promptly notify Secured Party in writing of any addition to, change in or discontinuance of its place(s) of business as shown in this agreement, the places at which inventory is located as shown herein, the location of its chief executive office and the location of the office where it keeps its records as set forth herein. All Collateral will be located at the place(s) of business shown at the beginning of this agreement as

modified by any written notice(s) given pursuant hereto.

3. **Use of Inventory:** Unless and until the privilege of Debtor to use inventory in the ordinary course-of Debtor's business is revoked by Secured Party in the event of default or if Secured Party deems itself insecure, Debtor may use the inventory in any manner not inconsistent with this Agreement, may sell that part of the Collateral consisting of inventory provided that all such sales are in the ordinary course of business, and may use and consume any raw materials or supplies that are necessary in order to carry on Debtor's business. A sale in the ordinary course of business does not include a transfer in partial or total satisfaction of a debt.

4. **Accounts as Proceeds:** All accounts that are proceeds of the inventory included within the Collateral shall be subject to all of the terms and provisions hereof pertaining to accounts.

5. **Protection of Inventory:** Debtor shall take all action necessary to protect and preserve the inventory.

H. **EVENTS OF DEFAULT.** Debtor shall be in default hereunder upon the happening of any of the following events or conditions: (i) non-payment when due (whether by acceleration of maturity or otherwise) of any payment of principal, interest or other amount due on any Obligation; (ii) the occurrence of any event which under the terms of any evidence of indebtedness, indenture, loan agreement, security agreement or, similar instrument permits the acceleration of maturity of any obligation of Debtor (whether to Secured Party or to others); (iii) any representation or warranty made by Debtor to Secured Party in connection with this Agreement, the Collateral or the Obligations, or in any statements or certificates, proves incorrect in any material respect as of the date of the making or the issuance thereof; (iv) default occurs in the observance or performance of, or if Debtor fails to furnish adequate evidence of performance of, any provision of this Agreement or of any note, assignment, transfer, other agreement, document or instrument delivered by Debtor to Secured Party in connection with this Agreement, the Collateral or the Obligations; (v) death, dissolution, liquidation, termination of existence, insolvency, business failure or winding-up of Debtor or any maker, endorser, guarantor, surety or other party liable in any capacity for any of the Obligations; (vi) the commission of an act of bankruptcy by, or the application for appointment of a receiver or any other legal custodian for any part of the property of, assignment for the benefit of creditors by, or the commencement of any proceedings under any bankruptcy, arrangement, reorganization, insolvency or similar laws for the relief of debtors by or against, the Debtor or any maker, endorser, guarantor, surety or other party primarily or secondarily liable for any of the Obligations; (vii) the Collateral becomes, in the judgment of Secured Party, impaired, unsatisfactory or insufficient in character or value; or (viii) the filing of any levy, attachment, execution, garnishment or other process against the Debtor or any of the Collateral or any maker, endorser, guarantor, surety or other party liable in any capacity for any of the Obligations.

I. **REMEDIES:** Upon the occurrence of an event of default, or if Secured Party deems payment of the Obligations to be insecure, Secured Party, at its option, shall be entitled to exercise any one or more of the following remedies (all of which are cumulative):

1. **Declare Obligations Due:** Secured Party, at its option, may declare the Obligations or any part thereof immediately due and payable, without demand, notice of intention to accelerate, notice of acceleration, notice of non-payment, presentment, protest, notice of dishonor, or any other notice whatsoever, all of which are hereby waived by Debtor and any maker, endorser, guarantor, surety or other party liable in any capacity for any of the Obligations.

2. **Remedies:** Secured Party shall have all of the rights and remedies provided for in this Agreement and in any other agreements executed by Debtor, the rights and remedies Of the Uniform Commercial Code of Texas, and any and all of the rights and remedies at law and in equity, all of which shall be deemed cumulative. Without limiting the foregoing, Debtor agrees that Secured Party shall have the right to: (a) require Debtor to assemble the Collateral and make it available to Secured Party at a place designated by Secured Party that is reasonably convenient to both parties, which Debtor agrees to do; (b) peaceably take possession of the Collateral and remove same, with or without judicial process; (c) without removal, render equipment included within the Collateral unusable, and dispose of the Collateral on the Debtor's premises; (d) sell, lease or otherwise dispose of the Collateral, at one or more locations, by public or private proceedings for cash or credit, without assumption of credit risk; and/or (e) whether before or after default, collect and receipt for, compound, compromise, and settle, and give releases, discharges and acquittances with respect to, any and all amounts owed by any person or entity with respect to the Collateral. Unless the Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, Secured Party will send Debtor reasonable notice of the time and place of any public sale or of the time after which any private sale or other disposition will be made. Any requirement of reasonable notice to Debtor shall be met if such notice is mailed, postage prepaid, to Debtor at the address of Debtor designated at the beginning of this Agreement, at least five (5) days before the day of any public sale or at least five (5) days before the time after which any private sale or other disposition will be made.

3. **Expenses:** Debtor shall be liable for and agrees to pay the reasonable expenses incurred by Secured Party in enforcing its rights and remedies, in retaking, holding, testing, repairing, improving, selling, leasing or disposing of the Collateral, or like expenses, including, without limitation, attorneys' fees and legal expenses incurred by Secured Party. These expenses, together with interest thereon from date incurred until paid by Debtor at the maximum contract rate allowed under applicable laws, which Debtor agrees to pay, shall constitute additional Obligations and shall be secured by and entitled to the benefits of this Agreement.

4. **Proceeds, Surplus, Deficiencies:** Proceeds received by Secured Party from disposition of the Collateral shall be applied toward Secured Party's expenses and other Obligations in such order or manner as Secured Party may elect. Debtor shall be entitled to any surplus if one results after lawful application of the proceeds. Debtor shall remain liable for any deficiency.

5. **Remedies Cumulative:** The rights and remedies of Secured Party are cumulative and the exercise of any one or more of the rights or remedies shall not be deemed an election of rights or remedies or a waiver of any other right or remedy. Secured Party may remedy any default and may waive any default without waiving the default remedied or without waiving any

other prior or subsequent default.

J. OTHER AGREEMENTS.

1. **Savings Clause:** Notwithstanding any provision to the contrary herein, or in any of the documents evidencing the Obligations or otherwise relating thereto, no such provision shall require the payment or permit the collection of interest in excess of the maximum permitted by applicable usury laws. If any such excessive interest is so provided for, then in such event (i) the provisions of this paragraph shall govern and control; (ii) neither the Debtor nor his heirs, legal representatives, successors or assigns or any other party liable for the payment thereof, shall be obligated to pay the amount of such interest to the extent that is in excess of the maximum amount permitted by law; (iii) any such excess interest that may have been collected shall be, at the option of the holder of the instrument evidencing the Obligations, either applied as a credit against the then unpaid principal amount thereof or refunded to the maker thereof; and (iv) the effective rate of interest shall be automatically reduced to the maximum lawful rate under applicable usury laws as now or hereafter construed by the courts having jurisdiction.

2. **Joint and Several Responsibility:** If this Security Agreement is executed by more than one Debtor, the obligations of all such Debtors shall be joint and several.

3. **Waivers:** Debtor and any maker, endorser, guarantor, surety or other party liable in any capacity respecting the Obligations hereby waive demand, notice of intention to accelerate, notice of acceleration, notice of non-payment, presentment, protest, notice of dishonor and any other similar notice whatsoever.

4. **Severability:** Any provision hereof found to be invalid by courts having jurisdiction shall be invalid only with respect to such provision (and then only to the extent necessary to avoid such invalidity). The offending provision shall be modified to the maximum extent possible to confer upon Secured Party the benefits intended thereby. Such provision as modified and the remaining provisions hereof shall be construed and enforced to the same effect as if such offending provision (or portion thereof) had not been contained herein, to the maximum extent possible.

5. **Use of Copies:** Any carbon, photographic or other reproduction of any financing statement signed by Debtor is sufficient as a financing statement for all purposes, including without limitation, filing in any state as may be permitted by the provisions of the Uniform Commercial Code of such state.

6. **Relationship to Other Agreements:** This Security Agreement and the security interests (and pledges and assignments as applicable) herein granted are in addition to (and not in substitution, novation or discharge of) any and all prior or contemporaneous security agreements, security interests, pledges, assignments, liens, rights, titles or other interests in favor of Secured Party or assigned to Secured Party by others in connection with the Obligations. All rights and remedies of Secured Party in all such agreements are cumulative, but in the event of actual conflict in terms and conditions, the terms and conditions of the latest security agreement shall govern and control.

7. **Notices:** Any notice or demand given by Secured Party to Debtor in connection with this Agreement, the Collateral or the Obligations, shall be deemed given and effective upon deposit in the United States mail, postage prepaid, addressed to Debtor at the address of Debtor designated at the beginning of this Agreement. Actual notice to Debtor shall always be effective no matter how given or received.

8. **Headings and Gender:** Paragraph headings in this Agreement are for convenience only and shall be given no meaning or significance in interpreting this Agreement. All words used herein shall be construed to be of such gender or number as the circumstances require.

9. **Amendments:** Neither this Agreement nor any of its provisions may be changed, amended, modified, waived or discharged orally, but only by an instrument in writing signed by the party against whom enforcement of the change, amendment, modification, waiver or discharge is sought.

10. **Continuing Agreement:** The security interest (and pledges and assignments as applicable) hereby granted and all of the terms and provisions in this Agreement shall be deemed a continuing agreement and shall continue in full force and effect until terminated in writing. Any such revocation or termination shall only be effective if explicitly confirmed in a signed writing issued by Secured Party to such effect and shall in no way impair or affect any transactions entered into or rights created or Obligations incurred or arising prior to such revocation or termination, as to which this Agreement shall be fully operative until same are repaid and discharged in full. Unless otherwise required by applicable law Secured Party shall be under no obligation to issue a termination statement or similar documents unless Debtor requests same in writing and, provided further, that all Obligations have been repaid and discharged in full and there are no commitments to make advances, incur any Obligations or otherwise give value.

11. **Binding Effect:** The provisions of this Security Agreement shall be binding upon the heirs, personal representatives, successors and assigns of Debtor and the rights, powers and remedies of Secured Party hereunder shall inure to the benefit of the successors and assigns of Secured Party.

12. **Governing Law:** This Security Agreement shall be governed by the law of the State of Texas and applicable federal law. Venue will lie in Jefferson County, Texas, where the collateral is located

EXECUTED this ____ day of _____, 200__.

**Panelized Systems Technology, L.L.C.,
a Texas limited liability company**

By: _____
Sharron Kelly, President

EXHIBIT "B3"

UCC-1 Financing Statement

EXHIBIT "C"

Manufacturing Equipment to be Purchased by PAEDC and Leased to PST.

EXHIBIT "D"

Manufacturing Equipment Lease Between City of Port Arthur Section 4A Economic Development Corporation and Panelized Systems Technology, L.L.C.

This Equipment Lease Agreement (the "Agreement") is made and entered on _____, 2006, by and between the City of Port Arthur Section 4A Economic Development Corporation (hereinafter "Lessor") and Panelized System Technology, L.L.C. (hereinafter "Lessee"), collectively referred to as the "Parties".

Lessee Full Legal Name:

Panelized System Technology, L.L.C.

Lessee Address:

The Parties agree as follows:

1. EQUIPMENT: Lessor hereby leases to Lessee the equipment listed in the attached Table, hereinafter the "Equipment".

At the time of Lease execution, Lessor has not acquired title to the Equipment. Lessee shall (1) be responsible for ordering the Equipment; (2) ensure each item is purchased in Lessor's name; and (3) negotiate a repurchase provision with each of the Equipment vendors, whereby vendors agree to repurchase the equipment for a set price or prices. The total cost of the new Equipment shall not exceed THREE HUNDRED THOUSAND DOLLARS (\$300,000), not including freight and installation, as provided in that certain Economic Incentive Contract and Loan Agreement of even date, hereinafter "Incentive Agreement".

When Lessee places an order and again when the order is delivered to Lessee's manufacturing location, Lessee shall update the attached Table and send a true and correct copy to Lessor at P.O. Box 3934, Port Arthur, Texas, 77642, or at any other address later designated by Lessor, along with the corresponding purchase orders and/or invoices. Lessee shall keep copies of all documents sent to Lessor.

2. LEASE TERM: The Lease will start on the first (1st) day of the month following execution of this Lease. The agreement will continue for ten (10) years, or for as long as Lessee fully complies with this Lease and the Incentive Contract, whichever is sooner.

Start Date: _____

Planned End Date: _____

3. LEASE PAYMENTS: Lessee agrees to pay to Lessor as rent for the Equipment the amount of ONE DOLLAR (\$1.00, "Rent") each year in advance on the anniversary of this Lease, that is on the _____ (day) of each _____ (month). Rent payments

shall be sent to Lessor at P.O. Box 3934, Port Arthur, Texas, 77642 or at any other address later designated by Lessor.

4. LATE CHARGES: If any amount under this Lease is more than thirty (30) days late, Lessee agrees to pay a late fee equal to FIFTY DOLLARS (\$50.00) for each month late. The late charge is due the same day the rent is paid.

5. SECURITY DEPOSIT: Prior to taking possession of the Equipment, Lessee shall deposit with Lessor, in trust, a security deposit of THIRTY THOUSAND DOLLARS (\$30,000) as security for the performance by Lessee of the terms under this Lease and for any damages caused by Lessee or Lessee's agents to the Equipment during the Lease Term. Lessor may use part or all of the security deposit to repair any damage to Equipment caused by Lessee or Lessee's agents; however, Lessor is not just limited to the security deposit amount and Lessee remains liable for any balance. If Lessee breaches any terms or conditions of this Lease or breaches the Incentive Agreement, Lessee shall forfeit any deposit, as permitted by law, in addition to all other remedies available to Lessor.

6. DELIVERY: Lessee shall be responsible for the cost of shipping the Equipment from the vendor to Lessee's manufacturing location.

7. DEFAULTS: If Lessee fails to perform or fulfill any obligation under this Lease or under the Incentive Agreement, Lessee shall be in default of both the Lease and the Incentive Agreement. Lessee shall have seven (7) days from the date of notice of default by Lessor to cure the default. In the event that Lessee does not cure default, Lessor may, at Lessor's sole option, (a) declare Lessee in default of the Lease; or (b) cure such default and the cost of such action may be added to Lessee's financial obligations under this Lease and the Incentive Agreement.

In the event Lessor declares default, Lessor may, as permitted by law, take possession of the Equipment and sell it. Lessor may, at its sole option, hold Lessee liable for the difference between the price Lessor paid to acquire the Equipment and the repurchase price negotiated with the vendor, per Section 1, or the difference between the price paid and the price at which the Equipment actually sold, whichever difference is less, plus freight; however, it is Lessor's sole option whether to sell the equipment to the vendor or to another party.

If Lessee shall become insolvent, cease to do business as a going concern or if a petition has been filed by or against Lessee under the Bankruptcy Act or similar federal or state statute, Lessor may immediately declare Lessee in default of this Lease.

8. POSSESSION AND SURRENDER OF EQUIPMENT: Lessee shall be entitled to possession of the Equipment upon delivery from the Vendor. At the expiration of the Lease Term, unless a Lease renewal is successfully negotiated, Lessee shall surrender the Equipment to Lessor by delivering the Equipment to Lessor or Lessor's agent, at a location identified by Lessor, in good condition and working order, ordinary wear and tear excepted, as it was at the commencement of the Lease.

9. USE OF EQUIPMENT: Lessee shall only use the Equipment in a careful and proper manner and will comply with all laws, rules, ordinances, statutes and orders regarding the use, maintenance and storage of the Equipment.

10. CONDITION OF EQUIPMENT AND REPAIR: Upon delivery, Lessee or Lessee's agent shall inspect each item of the Equipment. Lessee acknowledges that the Equipment is in good and acceptable condition when Lessee signs the attached Table. If Equipment is not in good and acceptable condition then Lessee shall contact the appropriate vendor to have the condition remedied.

Lessee or Lessee's agent agrees and acknowledges that all caution stickers/labels and required warnings are properly affixed to the Equipment and that Lessee shall be responsible for repairing the caution stickers/labels and warnings if they become illegible or damaged in any way during the term of this Lease.

11. MAINTENANCE, DAMAGE AND LOSS: Lessee will, at Lessee's sole expense, keep and maintain the Equipment clean and in good working order and repair during the Lease Term. All risk of loss or damage to the equipment, accidental or otherwise shall be borne by Lessee. In the event the Equipment is lost or damaged beyond repair, Lessee shall pay to Lessor the replacement cost of the Equipment.

If Lessor is forced to maintain or repair the equipment, because Lessee defaults on this obligation, then Lessee shall be responsible for the cost of maintenance or repair, plus twenty percent (20%) of the cost to compensate Lessor for its time and expenses. This cost consequence is not a penalty and is in addition to all other remedies available to Lessor on account of this default.

12. LESSORS REPRESENTATIONS: Lessor represents and warrants that Lessee shall be entitled to quietly hold and possess the Equipment, and Lessor will not interfere with that right as long as Lessee pays the Rent in a timely manner and performs all other obligations under this Lease and the Incentive Contract. There are no other warranties. Lessor is leasing the equipment to Lessee "AS IS". **LESSOR MAKES NO WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WARRANTIES OF FITNESS FOR A PARTICULAR PURPOSE; SUITABILITY OR MERCHANTABILITY IN CONNECTION WITH THIS LEASE.** So long as Lessee is not in default under any term of this Lease, Lessor transfers to Lessee any warranties made to Lessor by the manufacturer or vendor. **LESSEE AGREES THAT, REGARDLESS OF CAUSE, LESSEE WILL NOT ASSERT ANY CLAIM WHATSOEVER AGAINST LESSOR FOR LOSS OF PROFITS LESSEE EXPECTED TO MAKE OR ANY OTHER DIRECT, SPECIAL OR INDIRECT DAMAGES.**

13. INSURANCE: Lessee agrees to keep the equipment fully insured against loss during the term of this Lease. Prior to the delivery of the first item of Equipment, Lessee agrees to obtain, as of the start date of the Lease,

- A. Comprehensive general liability, including contractual liability protecting the interests of both Lessor and Lessee against property damage and personal injury or death arising out of maintenance, repair, use, and operation of this equipment with limits of liability no less than \$500,000/\$100,000 or \$1,000,000 Combined

Single Limit (CSL);

- B. Physical Damage Insurance for the full replacement value of the equipment.
- C. Umbrella liability with limits of liability of no less than \$1,000,000; and
- D. Workers compensation and employer's liability insurance in accordance with all applicable state and federal law.

Lessee shall name Lessor as an **additional insured** on the insurance policies. Lessee agrees to provide Lessor with a certificate or other evidence of insurance acceptable to Lessor. Additionally, any insurance policy must include a provision that the policy cannot be cancelled for any reason, by insurer or Lessee, unless and until insurer provides Lessor with a written notice of cancellation at least thirty (30) days in advance of such planned cancellation. If any insurance proceeds are paid as a result of any such loss or damage to the equipment, Lessee agrees that such insurance proceeds shall be paid to Lessor.

14. ENCUMBRANCES, TAXES AND OTHER LAWS: Lessee shall keep the Equipment free and clear of any liens or other encumbrances, and shall not permit any act where Lessor's title or rights may be negatively affected. Lessee shall be responsible for complying with and conforming to all laws and regulations relating to the possession, use or maintenance of the Equipment. Furthermore, Lessee shall promptly pay all taxes, fees, licenses and governmental charges, together with any penalties or interest thereon, relating to the possession, use or maintenance of the Equipment.

15. OWNERSHIP: The Equipment is and shall remain the exclusive property of Lessor.

16. SEVERABILITY: If any part or parts of this Lease shall be held unenforceable for any reason, the remainder of this Lease shall continue in full force and effect. If any provision of this Lease is deemed invalid or unenforceable by any court of competent jurisdiction, and if limiting such provision would make the provision valid, then such provision shall be deemed to be construed as so limited.

17. ASSIGNMENT: LESSEE MAY NOT SELL, TRANSFER, ASSIGN OR SUBLEASE THE EQUIPMENT. Lessor may, without notifying Lessee, sell, assign, or transfer this Lease and Lessor's ownership of the equipment; Lessee agrees that if Lessor does so, the assignee will have the same rights and benefits that Lessor has. Lessor agrees that any such sale, assignment or transfer of this Lease and/or the equipment by Lessor or Lessor's assignee or transferee will not materially change Lessee's duties or obligations under this Lease nor materially increase Lessee's burdens or risks. Lessee agrees that the rights of the assignee will not be subject to any claims, defenses, or set-offs that Lessee may have against Lessor.

18. BINDING EFFECT: The covenants and conditions contained in the Lease shall apply to and bind the Parties and the heirs, legal representatives, successors and permitted assigns of the Parties.

19. GOVERNING LAW: This Lease, and any and all amendments, modifications or other writings pertaining thereto, shall be construed under and pursuant to the laws of

the State of Texas. All obligations under this Lease are performable in Jefferson County, Texas, which is where venue will lie.

20. NOTICE: Any notice required or otherwise given pursuant to this Lease shall be in writing and mailed certified return receipt requested, postage prepaid, or delivered by overnight delivery service to:

Lessor:

City of Port Arthur Section 4A
Economic Development Corporation
4173 39th Street
P.O. Box 3934
Port Arthur, TX, 77642

Lessee:

Panelized Systems Technology, L.L.C.

Either party may change such addresses from time to time by providing notice as set forth above.

21. ENTIRE LEASE: This Lease constitutes the entire Lease between the Parties and supersedes any prior understanding or representation of any kind preceding the date of this Lease. There are no other promises, conditions, understandings or other Leases, whether oral or written, relating to the subject matter of this Lease. This Lease may not be altered, amended, modified, terminated, or otherwise changed except in writing and signed by both Lessor and Lessee.

22. CUMULATIVE RIGHTS: Lessor's and Lessee's rights under this Lease are cumulative, and shall not be construed as exclusive of each other unless otherwise required by law.

23. WAIVER: The failure of either party to enforce any provisions of this Lease shall not be deemed a waiver or limitation of that party's right to subsequently enforce and compel strict compliance with every provision of this Lease. The acceptance of rent by Lessor does not waive Lessor's right to enforce any provisions of this Lease.

24. LIABILITY; INDEMNIFICATION: LESSEE SHALL INDEMNIFY, HOLD HARMLESS AND DEFEND LESSOR AND ITS OFFICERS, DIRECTORS, SHAREHOLDERS, AFFILIATES, SUCCESSORS, ASSIGNS, EMPLOYEES, REPRESENTATIVES, AND AGENTS, FROM AND AGAINST ANY AND ALL LIABILITY FOR ANY KIND OR NATURE WHATSOEVER, INCLUDING ATTORNEY'S FEES, BY REASON OF ANY INJURY ARISING OUT OF, CONNECTED WITH OR RESULTING FROM THE SELECTION, ACCEPTANCE, DELIVERY, MAINTENANCE, USE OPERATION AND/OR CONTROL OF THE EQUIPMENT BY LESSEE, REGARDLESS OF WHETHER SUCH CLAIMS ARISE OUT OF THE NEGLIGENCE OR STRICT LIABILITY OF THE LESSOR OR ITS EMPLOYEES, AGENTS, OR REPRESENTATIVES. Lessee's obligation to indemnify Lessor as provided for herein shall survive expiration or termination of this Lease.

25. IMPORTANT CONDITION: LESSEE UNDERSTANDS THAT LESSOR AND VENDOR OR MANUFACTURER ARE TWO SEPARATE, INDEPENDENT COMPANIES, AND THAT NEITHER VENDOR, MANUFACTURER NOR ANY OTHER PERSON IS LESSOR'S AGENT. LESSEE AGREES THAT NO REPRESENTATION, GUARANTEE OR WARRANTY BY THE VENDOR, MANUFACTURER OR OTHER PERSON IS BINDING ON LESSOR, AND NO BREACH BY THE VENDOR, MANUFACTURER OR OTHER PERSON WILL EXCUSE LESSEE'S OBLIGATIONS TO LESSOR. Lessee also understands that only an action of the Lessor's Board of Directors is authority to waive or alter any of the terms of this Lease.

26. ADDITIONAL TERMS & CONDITIONS – All terms and conditions of the Incentive Agreement. A default or breach of either the Lease or the Incentive Contract is a default or breach of both the Lease and the Incentive Agreement.

IN WITNESS WHEREOF, the parties have caused this Lease to be executed the day and year first above written.

LESSEE:

Panelized Systems Technology, L.L.C.,
a Texas limited liability company

By: _____ Date: _____
Sharron Kelly, President

Witness: _____

LESSOR:

City of Port Arthur Section 4A Economic Development Corporation,
a Texas not-for-profit corporation

By: _____ Date: _____
Eli Roberts, President

Witness: _____

By: _____ Date: _____
Linda Spears, Secretary

Witness: _____

**TABLE
EQUIPMENT LIST⁷ AND DISPOSITION**

	Equipment Description	Order Date	Order Verification Signature	Delivery Date	Model Number	Serial Number	Acceptance Signature
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⁷ This is the same list of equipment as in Exhibit "C" of the Incentive Contract.

	Equipment Description	Order Date	Order Verification Signature	Delivery Date	Model Number	Serial Number	Acceptance Signature
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EXHIBIT "E"

CERTIFICATION REGARDING LOBBYING For Contracts, Grants, Loans, and Cooperative Agreements

The undersigned certifies, to the best of his knowledge and belief, that:

1. No funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of any agency, a member of the City or of the PAEDC in connection with the awarding of any contract, the making of any grant, the making of any loan, the entering into of any cooperative agreement, or modification of any contract, grant, loan, or cooperative agreement.
2. The undersigned shall require that the language of this certification be included in the award documents for all sub-awards at all tiers (including subcontracts, sub-grants, and contracts under grants, loans, and cooperative agreements), and that all Subs shall certify and disclose accordingly.

This certification is material representation of fact which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction.

Signed:

Panelized Systems Technology, L.L.C.,
a Texas limited liability company

By: _____
Sharron Kelly, President

EXHIBIT "F1"

JARES BUILDING TECHNOLOGY, L.L.C. GUARANTY AGREEMENT

THIS GUARANTY AGREEMENT, dated as of _____, 2006 (the "Guaranty"), is made between The City of Port Arthur Section 4A Economic Development Corporation (the "PAEDC"), a corporation validly existing under its Charter and the constitution and laws of the State of Texas, and JARES Building Technology, L.L.C. (the "Guarantor"), a private corporation duly organized and validly existing under the laws of the State of Georgia. Capitalized terms used in this Guaranty and not defined otherwise are used herein as defined in the Economic Incentive Contract and Loan Agreement (the "Agreement"), between the PAEDC and Panelized Systems Technology, L.L.C., a Texas limited liability company, as grantee (the "Grantee"). Those definitions are incorporated in this Guaranty by reference.

WITNESSETH THAT: WHEREAS,

A. Upon the terms and conditions set forth in the Agreement, the PAEDC is willing to lease certain real and personal property to the Grantee and make certain financial loans to the Grantee to enable the Grantee to operate a building panel manufacturing plant (the "Project"), and the Grantee is willing to agree to honor the leases, pay back the loan and provide certain employment and economic opportunities to the residents of Port Arthur, Texas.

B. In order to enhance the security of the PAEDC that the benefits under the Agreement will inure to the benefit of the residents of Port Arthur, Texas, the Guarantor is willing, in this Guaranty, to guaranty the obligations of the Grantee under the Agreement.

C. The PAEDC and the Guarantor each have full right and lawful authority to enter into this Guaranty and to perform and observe the provisions hereof on their respective parts to be performed and observed.

NOW, THEREFORE, in consideration of the premises and representations and agreements hereinafter contained and subject to the terms hereof, and for other good and valuable consideration, the receipt of which is acknowledged hereby, the Guarantor agrees with the PAEDC as follows:

ARTICLE I.

REPRESENTATIONS AND WARRANTIES OF THE GUARANTOR

Section 1.1. The Guarantor represents and warrants as follows:

(a) The Guarantor has full power under applicable law and its Certificate of Formation, code of regulations and bylaws, each as amended to date, to enter into, observe and perform all covenants, agreements and obligations on its part hereunder.

(b) The Guarantor has authorized the signing and delivery of this Guaranty by all necessary and proper corporate action.

(c) The signing, delivery, observance and performance by the Guarantor of this Guaranty and the Guarantor's covenants, agreements and obligations hereunder do not, and will not, (i) violate any law now existing, (ii) contravene or constitute a default under any agreement, indenture, trust agreement or understanding to which the Guarantor is a party or by which it or its property may be bound, or (iii) contravene any provision of the Guarantor's Certificate of Formation, code of regulations or bylaws, each as amended to date.

(d) This Guaranty (i) is made in furtherance of the purposes for which the Guarantor was formed, (ii) is necessary to promote and further the business of the Guarantor and is, in the estimation of the Guarantor, desirable to promote the best interests and further the mission of the Guarantor, and (iii) will result in direct financial benefits to the Guarantor.

ARTICLE II.

COVENANTS AND GUARANTEES

Section 2.1. The Guarantor, jointly and severally with any other guarantor to the PAEDC of the obligations of the Grantee herein guaranteed, hereby absolutely and unconditionally guarantees to the PAEDC at any time:

(a) the full and prompt performance of all covenants, agreements and obligations of the Grantee under the Agreement, and

(b) the payment of all principal, interest and other sums due, whether by acceleration or otherwise, together with all late charges, disbursements, expenses, and deficiencies pursuant to that certain Commercial Promissory Note made by the Grantee to the PAEDC as of even date herewith (collectively the "Guaranteed Debt") together with the performance of Grantee's obligations under any documents or instruments executed in connection with or given to secure the Guaranteed Debt, and

(c) the full and prompt payment of all expenses and charges, including without limitation, to the extent permitted by law, reasonable attorneys' fees and expenses, paid or incurred by the PAEDC acting as Grantor under the Agreement and in realizing any of the payments guaranteed hereby or in enforcing this Guaranty.

The Guarantor will pay all payments in lawful money of the United States of America. Each default in payment of any amount payable hereunder shall give rise to a separate cause of action hereunder, and separate suits may be brought hereunder as each cause of action arises.

Section 2.2. The Guarantor's covenants, agreements and obligations under this Guaranty are absolute and unconditional, are a present, and shall be a continuing, guaranty of performance and payment and not collectibility, and shall remain in full force and effect until all covenants, agreements and obligations of the Grantee under the Agreement and those documents executed in connection with the Agreement have been performed or met, and all other amounts payable hereunder shall have been paid or provision shall have been made therefor to the satisfaction of the PAEDC, regardless of the legality, validity, regularity or enforceability of the Agreement or any other document.

The obligations of the Guarantor described in the preceding paragraph shall not be amended, modified or impaired upon the happening of any event, including without limitation, any of the following, regardless of whether there is notice to or consent of the Guarantor with respect thereto:

(a) the compromise, settlement, release or termination of any or all of the covenants, agreements or obligations of the PAEDC under the Agreement;

(b) the failure to give notice to the Guarantor of the occurrence of a default under this Guaranty or an Event of Default under the Agreement, except as provided specifically in this Guaranty;

(c) the waiver of the payment, observance or performance by the PAEDC or the Guarantor of any of their covenants, agreements or obligations under this Guaranty or the Agreement;

(d) the extension of the time for observance or performance of any covenant, agreement or obligation under this Guaranty or the Agreement and connected documents, or the extension or the renewal of any extension;

(e) the modification or amendment of any covenant, agreement or obligation under the Agreement;

(f) the taking or the omission of any action under this Guaranty or the Agreement;

(g) any failure, omission or delay on the part of the PAEDC to enforce, assert or exercise any right, power or remedy conferred on the PAEDC under this Guaranty or the Agreement or connected documents, or any act or omission on the part of the PAEDC at any time;

(h) the dissolution or liquidation of the Guarantor or any failure by the Guarantor to vacate promptly any execution, garnishment or attachment of such consequence that it will impair the Guarantor's ability to observe and perform its covenants, agreements and obligations under any agreement, contract or other instrument or document to which it is a party or by which it or its property is or may be bound; provided that the term "dissolution or liquidation," as used in this subsection, shall not be construed to include the cessation of the legal existence of the Guarantor resulting either from a merger or consolidation of the Guarantor into or with another Person, or from a dissolution or liquidation of the Guarantor following a transfer of all or substantially all of its assets as an entirety;

(i) the occurrence of any of the following:

(i) the admission by the Guarantor in writing of its inability to pay its debts generally as they become due,

(ii) the entering of an order for relief in any case commenced by or against the Guarantor (except cases commenced by the Guarantor against third parties) under federal bankruptcy law, as in effect from time to time,

(iii) a general assignment by the Guarantor for the benefit of creditors, or

(iv) the appointment of a receiver for the Guarantor or for the whole or any substantial part of its property;

(j) to the extent permitted by law, the release or discharge by operation of law of the Guarantor from the observance or performance of any covenant, agreement or obligation under this Guaranty or any other agreement, contract or other instrument or document to which it is a party or by which it or its property is or may be bound;

(k) the default or failure of the Guarantor to observe or perform fully any of its covenants, agreements or obligations under this Guaranty or any other agreement, contract or other instrument or document to which it is a party or by which it or its property is or may be bound;

(l) the default of the PAEDC under the Agreement; or

(m) to the extent permitted by law, the invalidity of the Agreement, this Guaranty, any agreement, contract or other instrument or document to which the Guarantor is a party or by which it or its property is or may be bound.

Section 2.3. No setoff, counterclaim, reduction, or diminution of any covenant, agreement or obligation, or any defense of any kind, which the Guarantor has or may have against the PAEDC or the Grantee, shall be available hereunder to the Guarantor against the PAEDC; provided, however, that the Guarantor shall be entitled to assert in a timely manner in a separate action against the PAEDC or the Grantee, as the case may be, any rights that could not be asserted, by virtue of this Section 2.3, by the Guarantor as a setoff, counterclaim, reduction, diminution or defense in the action on this Guaranty. The Guarantor shall not exercise any right of subrogation under this Guaranty until its obligations hereunder have been discharged in full, and such obligations shall not be discharged by virtue of any impairment of such rights of subrogation.

Section 2.4. If there is a default by the Grantee under the Agreement, the Commercial Promissory Note, or other documents connected with the Agreement, made by the Grantee thereunder, the PAEDC shall proceed first against the Grantee, prior to resorting to any remedy as to the Guarantor; however, PAEDC is not required to exhaust its remedies against Grantee prior to taking action against Guarantor. Guarantor will pay all reasonable costs, expenses and fees (including without limitation, to the extent permitted by law, all court costs, attorneys' fees, expenses, prejudgment interest and post-judgment interest) that the PAEDC incurs in the process of pursuing its remedies against Grantee, if PAEDC does not recover same from Grantee. If Guarantor finds that further action against Grantee is futile, Guarantor may request in writing that PAEDC halt executing remedies against Grantee, after which PAEDC will proceed with remedies against Guarantor.

Section 2.5. The Guarantor covenants and agrees to pay all reasonable costs, expenses and fees (including without limitation, to the extent permitted by law, all court costs and attorneys' fees) that may be incurred by the PAEDC in enforcing or attempting to enforce this Guaranty, whether by suit or otherwise, following any default on the part of the Guarantor under this Guaranty.

Section 2.6. The Guarantor covenants and agrees that, so long as the Agreement is in effect, the Guarantor will preserve and will keep in full force and affect its legal existence.

Section 2.7. (a) The failure of the Guarantor to abide by or to observe or perform any covenant, agreement or obligation hereunder, or any inaccuracy in any material adverse respect of, or any material adverse omission from, any representation or warranty herein, shall constitute a default hereunder.

(b) The occurrence of any of the following shall also constitute a default hereunder:

- (i) the admission by the Guarantor in writing of its inability to pay its debts generally as they become due;
- (ii) the entering of an order for relief in any case commenced by or against the Guarantor (except any case commenced by the Guarantor against a third party) under federal bankruptcy law, as in effect from time to time;

- (iii) a general assignment by the Guarantor for the benefit of creditors;
- (iv) the appointment of a receiver for the Guarantor or for the whole or any substantial part of its property; or
- (v) the dissolution or liquidation of the Guarantor or the failure by the Guarantor to vacate within 90 days any execution, garnishment or attachment of such a consequence that it will impair the Guarantor's ability to carry out its covenants, agreements and obligations hereunder. The term "dissolution or liquidation of the Guarantor," as used in this clause, shall not be construed to include the cessation of the legal existence of the Guarantor resulting either from a merger or consolidation of the Guarantor into or with another Person, or from a dissolution or liquidation of the Guarantor following a transfer of all or substantially all of its assets as an entirety, in accordance with the Agreement.

The declaration of a default hereunder and the exercise of remedies upon the declaration shall be subject to any applicable limitations of federal bankruptcy law affecting or precluding the declaration or exercise during the pendency of or immediately following any bankruptcy, liquidation or reorganization proceedings.

(c) If the default hereunder shall consist of the breach of any of the covenants, agreements or obligations of the Guarantor under Section 2.1, or if any default shall occur under Section 2.7(b), upon written demand by the PAEDC, the Guarantor shall (i) cause any such covenant, agreement or obligation to be performed or met and (ii) pay forthwith, or make provision for payment, to the PAEDC without further demand or notice and regardless of whether there has been any other default or event of default under the Agreement, the amount due and payable under the Agreement and the Guaranty.

In the event that the Guarantor shall be required to make payment to the PAEDC as described in the preceding paragraph, in addition to that payment, the Guarantor shall (i) cause any such covenant, agreement or obligation to be performed or met and (ii) pay to the PAEDC any further amount that is necessary to cover (i) the reasonable costs and expenses of collection, including reasonable compensation to the PAEDC, its agents and, to the extent permitted by law, the PAEDC's attorneys and counsel, and (ii) any reasonable expenses or liabilities incurred by the PAEDC hereunder.

(d) In the case of a default hereunder, other than under Sections 2.1 and 2.7(b), the PAEDC upon obtaining knowledge of such default shall promptly give the Guarantor written notice of the default at the Guarantor's Notice Address, by registered or certified mail, postage prepaid, return receipt requested, and if the default continues unremedied for 30 days following the giving of the notice, the PAEDC shall have the rights, remedies and powers, and the Guarantor shall make the payments, described in Section 2.7(c); provided, however, that if the default (other than a default under Sections 2.1 or 2.7(b)) can be remedied but not within that period, that failure shall not constitute a default, so long as the Guarantor is taking appropriate corrective action as permitted under the Agreement.

Section 2.8. Rights, remedies and powers under this Guaranty may be exercised, either separately or cumulatively, in the event of one or more defaults under this Guaranty.

ARTICLE III.

NOTICE AND SERVICE OF PROCESS, PLEADINGS AND OTHER PAPERS

Section 3.1. The Guarantor covenants and agrees that it is subject to service of process in the State of Texas, and that it will remain so subject to that service of process so long as the Agreement remains in full force and effect or any obligations of the Grantee remain outstanding thereunder. If the Guarantor should not be subject to that service of process for any reason, it designates and appoints as the Guarantor's agent, without power of revocation,

(a) the President or acting president, JARES Building Technology, L.L.C., _____, and its successors, or

(b) if that agent shall cease to act, the Secretary of State of the State of Georgia, _____, Georgia _____,

upon whom shall be served all process, pleadings, notices or other papers that may be served upon the Guarantor as a result of any of its covenants, agreements and obligations under this Guaranty.

Section 3.2. Any process, pleadings, notices or other papers served upon any agent appointed in the preceding Section shall be sent at the same time by registered or certified mail, postage prepaid, to the Guarantor's Notice Address and to any other addresses that may be furnished by the Guarantor to the PAEDC in writing from time to time.

ARTICLE IV.

MISCELLANEOUS

Section 4.1. The covenants, agreements and obligations of the Guarantor hereunder shall arise absolutely and unconditionally when the Agreement becomes effective.

Section 4.2. No remedy, right or power conferred herein upon or reserved hereunder to the PAEDC is intended to be exclusive of any other available remedy, right or power, but each remedy, right and power shall be cumulative and shall be in addition to every other remedy, right and power under the Agreement or any other document entered into in connection with the Agreement or existing at law, in equity or by statute or otherwise from time to time.

No delay in exercising, or omission to exercise, any remedy, right or power upon any default, omission or failure of observance or performance hereunder shall impair any remedy, right or power or shall be construed to be a waiver thereof, but any remedy, right and power may be exercised whenever and as often as may be deemed expedient.

To entitle the PAEDC to exercise any remedy, right or power reserved to it under this Guaranty, it shall not be necessary for the PAEDC to give any notice, other than any notice that may be expressly required herein.

In the event any provision contained in this Guaranty shall be breached by any party and the breach shall be duly waived thereafter by the other party so empowered to act, the waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder. No waiver, amendment, modification or release of this Guaranty shall be established by conduct, custom or course of dealing, but any amendment, modification or release shall be made solely by an instrument or document in writing duly signed by the parties hereto who have been duly authorized by this Guaranty so to amend this Guaranty.

Section 4.3. This Guaranty may be amended and supplemented, to the same extent and upon the same conditions that the Agreement may be amended and supplemented, by a written agreement signed by the parties hereto. The purposes for which an amendment of or supplement to this Guaranty may be made pursuant to this Section include, without limitation, the addition of, or substitution for the Guarantor as guarantor hereunder of, any Person that succeeds to or assumes, as the case may be, the Guarantor's covenants, agreements and obligations hereunder.

Section 4.4. This Guaranty shall inure to the benefit of the PAEDC and its respective successors and assigns and is binding upon the PAEDC and the Guarantor and their respective successors and assigns.

Section 4.5. This Guaranty constitutes the entire agreement, and supersedes all prior agreements and understandings, both written and oral, between the Guarantor and the PAEDC with respect to the subject matter hereof. This Guaranty may be signed simultaneously in several counterparts, each of which shall be deemed to constitute an original, but all of which together shall constitute but one and the same instrument. It shall not be necessary in proving this Guaranty to produce or account for more than one of those counterparts.

Section 4.6. The invalidity or unenforceability of any one or more phrases, sentences, clauses or sections contained in this Guaranty shall not affect the validity or enforceability of the remaining phrases, sentences, clauses and sections hereof.

Section 4.7. This Guaranty shall be governed by and construed in accordance with the laws of the State of Texas.

Section 4.8. All representations and warranties herein shall survive the signing and delivery hereof.

IN WITNESS WHEREOF, this Guaranty has been duly signed and delivered for and in the name and on behalf of the Guarantor and the PAEDC by their duly authorized officers or representatives, as of the date first above written.

JARES Building Technology, L.L.C.

By: _____
Sharon Kelly, President

CITY OF PORT ARTHUR SECTION 4A
ECONOMIC DEVELOPMENT CORPORATION

By: _____
Eli Roberts, President

By: _____
Linda Spears, Secretary

STATE OF _____

COUNTY OF _____

§
§
§

On this _____ day of _____, 2006, before me, a Notary Public in and for said County and State, personally appeared Sharron Kelly, authorized agent of JARES Building Technology, L.L.C., who acknowledged that, with due authorization, she did sign the foregoing instrument on behalf of JARES Building Technology, L.L.C. and that the same is his free act and deed individually as such officer and the free act and deed of JARES Building Technology, L.L.C.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal on the day and year aforesaid.

(SEAL)

Notary Public, State of _____

STATE OF TEXAS

COUNTY OF JEFFERSON

§
§
§

On this _____ day of _____, 2006, before me, a Notary Public in and for said County and State, personally appeared Eli Roberts, President of the PAEDC, who acknowledged that, with due authorization, he did sign the foregoing instrument on behalf of the PAEDC and that the same is his free act and deed individually as such officer and the free act and deed of the PAEDC.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal on the day and year aforesaid.

(SEAL)

Notary Public, State of Texas

STATE OF TEXAS

COUNTY OF JEFFERSON

§
§
§

On this _____ day of _____, 2006, before me, a Notary Public in and for said County and State, personally appeared Linda Spears, Secretary of the PAEDC, who acknowledged that, with due authorization, he did sign the foregoing instrument on behalf of the PAEDC and that the same is his free act and deed individually as such officer and the free act and deed of the PAEDC.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal on the day and year aforesaid.

(SEAL)

Notary Public, State of Texas

EXHIBIT "F2"

CONTACT INVESTMENT, L.L.C. GUARANTY AGREEMENT

THIS GUARANTY AGREEMENT, dated as of _____, 2006 (the "Guaranty"), is made between The City of Port Arthur Section 4A Economic Development Corporation (the "PAEDC"), a corporation validly existing under its Charter and the constitution and laws of the State of Texas, and Contact Investment, L.L.C. (the "Guarantor"), a private corporation duly organized and validly existing under the laws of the State of Texas. Capitalized terms used in this Guaranty and not defined otherwise are used herein as defined in the Economic Incentive Contract and Loan Agreement (the "Agreement"), between the PAEDC and Panelized Systems Technology, L.L.C., a Texas limited liability company as grantee (the "Grantee"). Those definitions are incorporated in this Guaranty by reference.

WITNESSETH THAT: WHEREAS,

A. Upon the terms and conditions set forth in the Agreement, the PAEDC is willing to lease certain real and personal property to the Grantee and make certain financial loans to the Grantee to enable the Grantee to operate a building panel manufacturing plant (the "Project"), and the Grantee is willing to agree to honor the leases, pay back the loan and provide certain employment and economic opportunities to the residents of Port Arthur, Texas.

B. In order to enhance the security of the PAEDC that the benefits under the Agreement will inure to the benefit of the residents of Port Arthur, Texas, the Guarantor is willing, in this Guaranty, to guaranty the obligations of the Grantee under the Agreement.

C. The PAEDC and the Guarantor each have full right and lawful authority to enter into this Guaranty and to perform and observe the provisions hereof on their respective parts to be performed and observed.

NOW, THEREFORE, in consideration of the premises and representations and agreements hereinafter contained and subject to the terms hereof, and for other good and valuable consideration, the receipt of which is acknowledged hereby, the Guarantor agrees with the PAEDC as follows:

ARTICLE I.

REPRESENTATIONS AND WARRANTIES OF THE GUARANTOR

Section 1.1. The Guarantor represents and warrants as follows:

(a) The Guarantor has full power under applicable law and its Certificate of Formation, code of regulations and bylaws, each as amended to date, to enter into, observe and perform all covenants, agreements and obligations on its part hereunder.

(b) The Guarantor has authorized the signing and delivery of this Guaranty by all necessary and proper corporate action.

(c) The signing, delivery, observance and performance by the Guarantor of this Guaranty and the Guarantor's covenants, agreements and obligations hereunder do not, and will not, (i) violate any law now existing, (ii) contravene or constitute a default under any agreement, indenture, trust agreement or understanding to which the Guarantor is a party or by which it or its property may be bound, or (iii) contravene any provision of the Guarantor's Certificate of Formation, code of regulations or bylaws, each as amended to date.

(d) This Guaranty (i) is made in furtherance of the purposes for which the Guarantor was formed, (ii) is necessary to promote and further the business of the Guarantor and is, in the estimation of the Guarantor, desirable to promote the best interests and further the mission of the Guarantor, and (iii) will result in direct financial benefits to the Guarantor.

ARTICLE II.

COVENANTS AND GUARANTEES

Section 2.1. The Guarantor, jointly and severally with any other guarantor to the PAEDC of the obligations of the Grantee herein guaranteed, hereby absolutely and unconditionally guarantees to the PAEDC at any time:

(a) the full and prompt performance of all covenants, agreements and obligations of the Grantee under the Agreement, and

(b) the payment of all principal, interest and other sums due, whether by acceleration or otherwise, together with all late charges, disbursements, expenses, and deficiencies pursuant to that certain Commercial Promissory Note made by the Grantee to the PAEDC as of even date herewith (collectively the "Guaranteed Debt") together with the performance of Grantee's obligations under any documents or instruments executed in connection with or given to secure the Guaranteed Debt, and

(c) the full and prompt payment of all expenses and charges, including without limitation, to the extent permitted by law, reasonable attorneys' fees and expenses, paid or incurred by the PAEDC acting as Grantor under the Agreement and in realizing any of the payments guaranteed hereby or in enforcing this Guaranty.

The Guarantor will pay all payments in lawful money of the United States of America. Each default in payment of any amount payable hereunder shall give rise to a separate cause of action hereunder, and separate suits may be brought hereunder as each cause of action arises.

Section 2.2. The Guarantor's covenants, agreements and obligations under this Guaranty are absolute and unconditional, are a present, and shall be a continuing, guaranty of performance and payment and not collectibility, and shall remain in full force and effect until all covenants, agreements and obligations of the Grantee under the Agreement, in full force and effect until all covenants, agreements and obligations of the Grantee under the Agreement and those documents executed in connection with the Agreement have been performed or met, and all other amounts payable hereunder shall have been paid or provision shall have been made therefor to the satisfaction of the PAEDC, regardless of the legality, validity, regularity or enforceability of the Agreement or any other document.

The obligations of the Guarantor described in the preceding paragraph shall not be amended, modified or impaired upon the happening of any event, including without limitation, any of the following, regardless of whether there is notice to or consent of the Guarantor with respect thereto:

(a) the compromise, settlement, release or termination of any or all of the covenants, agreements or obligations of the PAEDC under the Agreement;

(b) the failure to give notice to the Guarantor of the occurrence of a default under this Guaranty or an Event of Default under the Agreement, except as provided specifically in this Guaranty;

(c) the waiver of the payment, observance or performance by the PAEDC or the Guarantor of any of their covenants, agreements or obligations under this Guaranty or the Agreement;

(d) the extension of the time for observance or performance of any covenant, agreement or obligation under this Guaranty or the Agreement and connected documents, or the extension or the renewal of any extension;

(e) the modification or amendment of any covenant, agreement or obligation under the Agreement;

(f) the taking or the omission of any action under this Guaranty or the Agreement;

(g) any failure, omission or delay on the part of the PAEDC to enforce, assert or exercise any right, power or remedy conferred on the PAEDC under this Guaranty or the Agreement or connected documents, or any act or omission on the part of the PAEDC at any time;

(h) the dissolution or liquidation of the Guarantor or any failure by the Guarantor to vacate promptly any execution, garnishment or attachment of such consequence that it will impair the Guarantor's ability to observe and perform its covenants, agreements and obligations under any agreement, contract or other instrument or document to which it is a party or by which it or its property is or may be bound; provided that the term "dissolution or liquidation," as used in this subsection, shall not be construed to include the cessation of the legal existence of the Guarantor resulting either from a merger or consolidation of the Guarantor into or with another Person, or from a dissolution or liquidation of the Guarantor following a transfer of all or substantially all of its assets as an entirety;

(i) the occurrence of any of the following:

(i) the admission by the Guarantor in writing of its inability to pay its debts generally as they become due,

(ii) the entering of an order for relief in any case commenced by or against the Guarantor (except cases commenced by the Guarantor against third parties) under federal bankruptcy law, as in effect from time to time,

(iii) a general assignment by the Guarantor for the benefit of creditors, or

(iv) the appointment of a receiver for the Guarantor or for the whole or any substantial part of its property;

(j) to the extent permitted by law, the release or discharge by operation of law of the Guarantor from the observance or performance of any covenant, agreement or obligation under this Guaranty or any other agreement, contract or other instrument or document to which it is a party or by which it or its property is or may be bound;

(k) the default or failure of the Guarantor to observe or perform fully any of its covenants, agreements or obligations under this Guaranty or any other agreement, contract or other instrument or document to which it is a party or by which it or its

property is or may be bound;

(l) the default of the PAEDC under the Agreement; or

(m) to the extent permitted by law, the invalidity of the Agreement, this Guaranty, any agreement, contract or other instrument or document to which the Guarantor is a party or by which it or its property is or may be bound.

Section 2.3. No setoff, counterclaim, reduction, or diminution of any covenant, agreement or obligation, or any defense of any kind, which the Guarantor has or may have against the PAEDC or the Grantee, shall be available hereunder to the Guarantor against the PAEDC; provided, however, that the Guarantor shall be entitled to assert in a timely manner in a separate action against the PAEDC or the Grantee, as the case may be, any rights that could not be asserted, by virtue of this Section 2.3, by the Guarantor as a setoff, counterclaim, reduction, diminution or defense in the action on this Guaranty. The Guarantor shall not exercise any right of subrogation under this Guaranty until its obligations hereunder have been discharged in full, and such obligations shall not be discharged by virtue of any impairment of such rights of subrogation.

Section 2.4. If there is a default by the Grantee under the Agreement, the Commercial Promissory Note, or other documents connected with the Agreement, made by the Grantee thereunder, the PAEDC shall proceed first against the Grantee, prior to resorting to any remedy as to the Guarantor; however, PAEDC is not required to exhaust its remedies against Grantee prior to taking action against Guarantor. Guarantor will pay all reasonable costs, expenses and fees (including without limitation, to the extent permitted by law, all court costs, attorneys' fees, expenses, prejudgment interest and post-judgment interest) that the PAEDC incurs in the process of pursuing its remedies against Grantee, if PAEDC does not recover same from Grantee. If Guarantor finds that further action against Grantee is futile, Guarantor may request in writing that PAEDC halt executing remedies against Grantee, after which PAEDC will proceed with remedies against Guarantor.

Section 2.5. The Guarantor covenants and agrees to pay all reasonable costs, expenses and fees (including without limitation, to the extent permitted by law, all court costs and attorneys' fees) that may be incurred by the PAEDC in enforcing or attempting to enforce this Guaranty, whether by suit or otherwise, following any default on the part of the Guarantor under this Guaranty.

Section 2.6. The Guarantor covenants and agrees that, so long as the Agreement is in effect, the Guarantor will preserve and will keep in full force and affect its legal existence.

Section 2.7. (a) The failure of the Guarantor to abide by or to observe or perform any covenant, agreement or obligation hereunder, or any inaccuracy in any material adverse respect of, or any material adverse omission from, any representation or warranty herein, shall constitute a default hereunder.

(b) The occurrence of any of the following shall also constitute a default hereunder:

- (i) the admission by the Guarantor in writing of its inability to pay its debts generally as they become due;
- (ii) the entering of an order for relief in any case commenced by or against the Guarantor (except any case commenced by the Guarantor against a third party) under federal bankruptcy law, as in effect from time to time;

- (iii) a general assignment by the Guarantor for the benefit of creditors;
- (iv) the appointment of a receiver for the Guarantor or for the whole or any substantial part of its property; or
- (v) the dissolution or liquidation of the Guarantor or the failure by the Guarantor to vacate within 90 days any execution, garnishment or attachment of such a consequence that it will impair the Guarantor's ability to carry out its covenants, agreements and obligations hereunder. The term "dissolution or liquidation of the Guarantor," as used in this clause, shall not be construed to include the cessation of the legal existence of the Guarantor resulting either from a merger or consolidation of the Guarantor into or with another Person, or from a dissolution or liquidation of the Guarantor following a transfer of all or substantially all of its assets as an entirety, in accordance with the Agreement.

The declaration of a default hereunder and the exercise of remedies upon the declaration shall be subject to any applicable limitations of federal bankruptcy law affecting or precluding the declaration or exercise during the pendency of or immediately following any bankruptcy, liquidation or reorganization proceedings.

(c) If the default hereunder shall consist of the breach of any of the covenants, agreements or obligations of the Guarantor under Section 2.1, or if any default shall occur under Section 2.7(b), upon written demand by the PAEDC, the Guarantor shall (i) cause any such covenant, agreement or obligation to be performed or met and (ii) pay forthwith, or make provision for payment, to the PAEDC without further demand or notice and regardless of whether there has been any other default or event of default under the Agreement, the amount due and payable under the Agreement and the Guaranty.

In the event that the Guarantor shall be required to make payment to the PAEDC as described in the preceding paragraph, in addition to that payment, the Guarantor shall (i) cause any such covenant, agreement or obligation to be performed or met and (ii) pay to the PAEDC any further amount that is necessary to cover (i) the reasonable costs and expenses of collection, including reasonable compensation to the PAEDC, its agents and, to the extent permitted by law, the PAEDC's attorneys and counsel, and (ii) any reasonable expenses or liabilities incurred by the PAEDC hereunder.

(d) In the case of a default hereunder, other than under Sections 2.1 and 2.7(b), the PAEDC upon obtaining knowledge of such default shall promptly give the Guarantor written notice of the default at the Guarantor's Notice Address, by registered or certified mail, postage prepaid, return receipt requested, and if the default continues unremedied for 30 days following the giving of the notice, the PAEDC shall have the rights, remedies and powers, and the Guarantor shall make the payments, described in Section 2.7(c); provided, however, that if the default (other than a default under Sections 2.1 or 2.7(b)) can be remedied but not within that period, that failure shall not constitute a default, so long as the Guarantor is taking appropriate corrective action as permitted under the Agreement.

Section 2.8. Rights, remedies and powers under this Guaranty may be exercised, either separately or cumulatively, in the event of one or more defaults under this Guaranty.

ARTICLE III.

NOTICE AND SERVICE OF PROCESS, PLEADINGS AND OTHER PAPERS

Section 3.1. The Guarantor covenants and agrees that it is subject to service of process in the State of Texas, and that it will remain so subject to that service of process so long as the Agreement remains in full force and effect or any obligations of the Grantee remain outstanding thereunder. If the Guarantor should not be subject to that service of process for any reason, it designates and appoints as the Guarantor's agent, without power of revocation,

(a) the President or acting president, Contact Investment, L.L.C., _____, and its successors, or

(b) if that agent shall cease to act, the Secretary of State of the State of Texas, Austin, Texas 78701,

upon whom shall be served all process, pleadings, notices or other papers that may be served upon the Guarantor as a result of any of its covenants, agreements and obligations under this Guaranty.

Section 3.2. Any process, pleadings, notices or other papers served upon any agent appointed in the preceding Section shall be sent at the same time by registered or certified mail, postage prepaid, to the Guarantor's Notice Address and to any other addresses that may be furnished by the Guarantor to the PAEDC in writing from time to time.

ARTICLE IV.

MISCELLANEOUS

Section 4.1. The covenants, agreements and obligations of the Guarantor hereunder shall arise absolutely and unconditionally when the Agreement becomes effective.

Section 4.2. No remedy, right or power conferred herein upon or reserved hereunder to the PAEDC is intended to be exclusive of any other available remedy, right or power, but each remedy, right and power shall be cumulative and shall be in addition to every other remedy, right and power under the Agreement or any other document entered into in connection with the Agreement or existing at law, in equity or by statute or otherwise from time to time.

No delay in exercising, or omission to exercise, any remedy, right or power upon any default, omission or failure of observance or performance hereunder shall impair any remedy, right or power or shall be construed to be a waiver thereof, but any remedy, right and power may be exercised whenever and as often as may be deemed expedient.

To entitle the PAEDC to exercise any remedy, right or power reserved to it under this Guaranty, it shall not be necessary for the PAEDC to give any notice, other than any notice that may be expressly required herein.

In the event any provision contained in this Guaranty shall be breached by any party and the breach shall be duly waived thereafter by the other party so empowered to act, the waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder. No waiver, amendment, modification or release of this Guaranty shall be established by conduct, custom or course of dealing, but any amendment, modification or release shall be made solely by an instrument or document in writing duly signed by the parties hereto who have been duly authorized by this Guaranty so to amend this Guaranty.

Section 4.3. This Guaranty may be amended and supplemented, to the same extent and upon the same conditions that the Agreement may be amended and supplemented, by a written agreement signed by the parties hereto. The purposes for which an amendment of or supplement to this Guaranty may be made pursuant to this Section include, without limitation, the addition of, or substitution for the Guarantor as guarantor hereunder of, any Person that succeeds to or assumes, as the case may be, the Guarantor's covenants, agreements and obligations hereunder.

Section 4.4. This Guaranty shall inure to the benefit of the PAEDC and its respective successors and assigns and is binding upon the PAEDC and the Guarantor and their respective successors and assigns.

Section 4.5. This Guaranty constitutes the entire agreement, and supersedes all prior agreements and understandings, both written and oral, between the Guarantor and the PAEDC with respect to the subject matter hereof. This Guaranty may be signed simultaneously in several counterparts, each of which shall be deemed to constitute an original, but all of which together shall constitute but one and the same instrument. It shall not be necessary in proving this Guaranty to produce or account for more than one of those counterparts.

Section 4.6. The invalidity or unenforceability of any one or more phrases, sentences, clauses or sections contained in this Guaranty shall not affect the validity or enforceability of the remaining phrases, sentences, clauses and sections hereof.

Section 4.7. This Guaranty shall be governed by and construed in accordance with the laws of the State of Texas.

Section 4.8. All representations and warranties herein shall survive the signing and delivery hereof.

IN WITNESS WHEREOF, this Guaranty has been duly signed and delivered for and in the name and on behalf of the Guarantor and the PAEDC by their duly authorized officers or representatives, as of the date first above written.

CONTACT INVESTMENT, L.L.C.

By: _____
Phillip Etuk, President

CITY OF PORT ARTHUR SECTION 4A
ECONOMIC DEVELOPMENT CORPORATION

By: _____
Eli Roberts, President

By: _____
Linda Spears, Secretary

STATE OF _____

COUNTY OF _____

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On this _____ day of _____, 2006, before me, a Notary Public in and for said County and State, personally appeared Phillip Etuk, authorized agent of Contact Investment, L.L.C., who acknowledged that, with due authorization, she did sign the foregoing instrument on behalf of Contact Investment, L.L.C. and that the same is his free act and deed individually as such officer and the free act and deed of Contact Investment, L.L.C.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal on the day and year aforesaid.

(SEAL)

Notary Public, State of _____

STATE OF TEXAS

COUNTY OF JEFFERSON

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On this _____ day of _____, 2006, before me, a Notary Public in and for said County and State, personally appeared Eli Roberts, President of the PAEDC, who acknowledged that, with due authorization, he did sign the foregoing instrument on behalf of the PAEDC and that the same is his free act and deed individually as such officer and the free act and deed of the PAEDC.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal on the day and year aforesaid.

(SEAL)

Notary Public, State of Texas

STATE OF TEXAS

COUNTY OF JEFFERSON

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On this _____ day of _____, 2006, before me, a Notary Public in and for said County and State, personally appeared Linda Spears, Secretary of the PAEDC, who acknowledged that, with due authorization, he did sign the foregoing instrument on behalf of the PAEDC and that the same is his free act and deed individually as such officer and the free act and deed of the PAEDC.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal on the day and year aforesaid.

(SEAL)

Notary Public, State of Texas